QUEENSLAND BUDGET 2020-21

Unite & Recover

BUDGET STRATEGY AND OUTLOOK

BUDGET PAPER NO. 2

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Queensland Government

2020–21 Queensland Budget Papers

1. Budget Speech

2. Budget Strategy and Outlook

3. Capital Statement

Service Delivery Statements

Appropriation Bills

Budget Highlights

Regional Action Plans

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Queensland Government

State Budget 2020-21

Budget Strategy and Outlook

Budget Paper No. 2

Contents

Overview

In addition to the health consequences and tragic loss of life, the coronavirus (COVID-19) pandemic and associated containment measures have had an unprecedented impact on the global, national and Queensland economies, with significant flow on impacts to the state's fiscal position.

Both globally and domestically, economic outcomes have been more favourable in jurisdictions and countries where control of the virus and health outcomes have been better.

Importantly, Queensland's success in containing the spread of the virus means the June quarter is now expected to be the lowest point in the COVID-19 economic cycle.

The substantial and ongoing relaxation of restrictions across the state, as well as the substantial income support and stimulus provided across all levels of government, facilitated a strong rebound in domestic activity in the September quarter.

Between May and October, employment in Queensland has rebounded by 205,900 persons to be 500 persons above the pre-pandemic level in March 2020. As at October 2020, Queensland is the only state where employment and hours worked have rebounded to above their pre-COVID-19 levels, highlighting the extent of the recovery in the state's labour market.

Domestic and global conditions have continued to evolve since the COVID-19 Fiscal and Economic Review (C19-FER). While many indicators of Queensland's domestic economy have continued to improve, the global outlook has weakened further and remains the key risk to the state's economic outlook.

On balance, the Queensland economy is still forecast to return to marginal growth (up ¼%) in 2020-21, before strengthening substantially to 3½% growth in 2021-22.

Reflecting the strength of the recent recovery in the labour market, employment is now forecast to rise by 6¾% (around 160,000 persons) through the year to June quarter 2021.

Queensland entered this crisis with a robust fiscal position. The 2019-20 MYFER forecast increasing net operating surpluses across the forward estimates. This strong pre-crisis position allowed the government to respond quickly to the crisis, and to maintain the support necessary to ensure Queensland's economic recovery.

As the economy strengthens through the recovery phase, revenues will rise, and temporary support measures will be wound back. The budget position will strengthen, and borrowings will stabilise. Once the budget returns to surplus, fiscal buffers will be restored and debt reduced.

Importantly, by safeguarding the health of Queenslanders and limiting the spread of the virus, the emergency health restrictions were able to be eased much earlier than initially anticipated. This directly resulted in Queensland's domestic economy recovering more rapidly than many other economies across the country and around the world.

However, the global crisis will continue to have significant impacts on Queensland's key industries, regions and communities as the pandemic continues to evolve around the world and as the economic recovery gains momentum.

As such, as highlighted in the Queensland Government's *Unite and Recover: Queensland's Economic Recovery Plan*, Queensland's economic recovery from COVID-19 is a long-term challenge that requires a long-term response.

A pro-growth and pro-business policy focus, underpinned by driving ongoing improvements in the competitiveness and productivity of the state's key industries, will be critical to drive sustainable economic growth, job creation and improve living standards for all Queenslanders.

Queensland Government's objectives for the community

The Queensland Government's objectives for the community are built around the Economic Recovery Plan. These objectives, which are long term and can only be achieved by working together, are:

- **Safeguarding our health:** Safeguarding our health and jobs by keeping Queensland pandemic ready.
- **Supporting jobs:** Support increased jobs in more industries to diversify our economy and grow our existing strengths in agriculture, resources and tourism.
- **Backing small business:** Helping small business, the backbone of our economy, thrive in a changing environment.
- **Making it for Queensland:** Growing manufacturing across traditional and new industries, making new products in new ways and creating new jobs.
- **Building Queensland:** Driving investment in the infrastructure that supports our recovery, resilience and future prosperity.
- **Growing our regions:** Helping Queensland's regions grow by attracting people, talent and investment, and driving sustainable economic prosperity.
- **Investing in skills:** Ensuring Queenslanders have the skills they need to find meaningful jobs and set up pathways for the future.
- **Back our frontline services:** Deliver world class frontline services in key areas such as health, education and community safety.
- **Protect the environment:** Protect and enhance our natural environment and heritage for future generations and achieve a 50% renewable energy target by 2030.

The Queensland Government's Economic Recovery Plan highlighted initiatives totalling more than $7 billion to support jobs and the economic capacity of Queensland.

Building on this support, the government has committed to a significant package of election commitments totalling $4.3 billion over four years. These measures provide essential support for service delivery as well as continued resources for COVID-19 support and recovery.

Safeguarding our health

In the midst of arguably the greatest global health crisis for more than a century, the government's number one priority has been, and continues to be, safeguarding the health of all Queenslanders and building community resilience.

The success of Queensland's health response to protect Queenslanders has highlighted that the state's long-term economic success will also depend on our ability to protect the health and wellbeing of Queenslanders, including their mental health.

In line with this commitment, the budget allocates total health funding of $21.8 billion in 2020-21, including more than $1.6 billion for essential health infrastructure projects across the state. Key health measures include:

- $979 million to enhance capacity and services at three major public hospitals in the South East Queensland growth corridor.
- $265 million in funding to build seven satellite hospitals to enable our acute hospitals to safely manage patients via alternative models of care.
- A range of funding for major regional health infrastructure, including: $70 million for Cairns Hospital mental health unit; $86.2 million for the Nambour Hospital redevelopment; and $46 million for the Thursday Island health facility upgrade.

In addition, the budget includes $100 million over three years to employ 464 additional wellbeing professionals in Queensland state schools and to trial the placement of general practitioners in up to 20 schools.

Supporting jobs

The government's Economic Recovery Plan focuses on protecting jobs, including through safeguarding our health, minimising business costs through payroll tax reductions and other tax relief measures, and accelerating projects to unlock development and increase economic activity.

The 2020-21 Budget outlines a substantial capital program of $56.031 billion over four years throughout Queensland, which is estimated to directly support 46,000 jobs in 2020-21.

Some of the other key measures that will support jobs now and in the future include:

- $1 billion in concessional jobs support loans, interest free for 12 months, to support businesses and keep Queenslanders in work. As at 31 October, more than 6,900 Queensland businesses have drawn down loans from the scheme, supporting over 86,000 local jobs.
- Supporting the manufacturing industry, including almost $1 billion to make trains again in Queensland, as well as targeted support for sectors such as tourism, agriculture and energy.
- An additional $200 million in Works for Queensland funding (taking total program funding to $800 million) and a further $200 million for a COVID Works for Queensland program, complemented by a $100 million SEQ Community Stimulus Package, to support job-creating maintenance and minor infrastructure projects.
- Providing more Queenslanders with access to the skills training they need for rewarding careers.

Backing small business

Small business is a critical driver of economic activity and employment in Queensland, with small businesses representing over 97% of all businesses across the state and employing around 42% of private sector workers in Queensland.

Significantly, small businesses across the state have also been among the hardest hit by the economic impacts of the COVID-19 pandemic, given several of the most severely impacted sectors of the economy, including tourism-related businesses and many non-essential services, tend to be in industries dominated by small businesses.

In response to the crisis, the government has implemented a number of programs and initiatives designed to support small businesses and their employees. These programs include:

- $1 billion in concessional jobs support loans, interest free for 12 months. Almost 90% of the businesses were small businesses with 20 employees or less.
- Significant tax relief measures across the 2019-20 and 2020-21 financial years, including payroll tax refunds, payment holidays and deferrals, exemptions from payroll tax for JobKeeper payments and land tax relief.
- Up to $196 million in Small Business Adaption Grants of up to $10,000, including a specific focus on small regional businesses.

The budget also includes a new $500 million Backing Queensland Business Investment Fund, with $100 million dedicated to direct investment in small and medium businesses based in Queensland and creating Queensland jobs.

Making it for Queensland

Queensland's manufacturers collectively contribute more than $22 billion a year to the Queensland economy and support around 165,000 jobs. Growing the manufacturing sector in both traditional and new industries will not only support economic diversity and resilience but create new jobs.

The Economic Recovery Plan aims to foster growth precincts across the state by bringing manufacturers, skilled workers and supply chains together to power regional development. A key focus of the Plan involves the government working with industry to adopt innovative manufacturing techniques to enhance global competitiveness.

As part of this budget, the government will continue to support the state's manufacturing sector, including a strong focus on attracting new businesses to the state. The suite of programs included in the budget to support and drive this innovation and growth in manufacturing include:

- Establishment of an Immersive Technology Hub to promote Queensland's capabilities nationally and internationally.
- Delivering programs to connect research and technology companies with corporates to grow value, adding revenue and global routes to market.
- Form an agreement with Vaxxas to manufacture needle-free vaccine technology, aligned with the Queensland Biomedical 10-year Roadmap and Action Plan.
- Continuation of support to Rheinmetall Defence Australia's $170 million facility at Redbank.

- An almost $1 billion investment pipeline to build trains in Queensland, supporting hundreds of ongoing jobs in Maryborough, including a 10-year pipeline of manufacturing work to refurbish and maintain the QR fleet.

As another example of the government's commitment to supporting the growth of manufacturing, in October this year the Queensland Government announced a partnership with Boeing Australia that, pending orders, will deliver Queensland a state-of-the-art advanced manufacturing facility to produce Boeing's newest unmanned aircraft, known as Loyal Wingman, for global customers.

Building Queensland

The government's ongoing commitment to delivering and facilitating productivity-enhancing and catalytic infrastructure works will improve productivity and connectivity across the economy, supporting Queensland's economic recovery, growing the state's regions and supporting business-led growth over the longer term.

Infrastructure connects individuals and households to employment opportunities and enables all Queenslanders to access essential services, such as health care and education. Infrastructure also improves business connectivity, productivity, and competitiveness, connects supply chains to more efficiently move goods and services across industries, regions, the rest-of-Australia, and overseas. As such, it increases the broader longer-term productive capacity of the Queensland economy, which leads to the creation of more high-value long term jobs across industries and regions.

The government's capital works program will directly support substantial employment and economic activity across all regions of the state, with the $14.8 billion capital program in 2020-21 estimated to directly support 46,000 jobs.

Highlights of the 2020-21 investment in transformative infrastructure include:

- $1.5 billion to continue construction work on Cross River Rail and substantial ongoing investment to fund major upgrades as part of the $3.4 billion program of works on the M1 Pacific Motorway and upgrades to the Bruce Highway.
- $50.4 million of a $709.9 million total spend in joint funding for the Gold Coast Light Rail Stage 3A.
- $38.9 million of a $550.8 million total spend in joint funding for the North Coast Line – Beerburrum to Nambour Rail Upgrade.
- Substantial ongoing investment to support the state's delivery of enhanced justice and public safety services, and to construct new social housing dwellings and upgrade existing properties, including in Indigenous communities.

Growing our regions

Approximately half of Queensland's 5.2 million people reside outside Greater Brisbane, highlighting the critical importance of Queensland's regional economies and communities.

Queensland's regional economies are built on strong natural and competitive advantages. As a result, many of Queensland's regions are heavily dependent on trade to drive their prosperity, with around 80% of the state's merchandise exports produced in regional Queensland.

Further, more than half of the state's tourism businesses are located in regional areas and, in some regions like the Whitsundays, tourism directly accounts for one in five jobs.

The Queensland Government clearly recognises the critical role the state's regional economies and communities play in driving the state's recovery from COVID-19, building the state's resilience in the face of an ever-changing global landscape, and supporting ongoing growth in secure, highly skilled and well-paid jobs.

The 2020-21 Budget outlines a wide range of programs and initiatives to support the state's regions, including:

- $200 million additional funding for the Works for Queensland program to support local governments outside South East Queensland.
- Funding for a range of major regional infrastructure investments, including upgrades to the Cairns Marine Precinct owned by Ports North, the Wellcamp entertainment precinct near Toowoomba, and a new film production studio in Far North Queensland.
- A range of projects across the state to ensure clean, safe and affordable water supply for communities and businesses. This includes more than $150 million for dam improvements in 2020-21 and the government's $195 million contribution towards the Townsville City Council's Stage 2 Haughton Pipeline to improve water security for the North Queensland region.
- $21 million to revitalise Queensland's coastal shipping industry and create maritime jobs, including the establishment of a new shipping service between Townsville and Brisbane.
- An additional $10 million over the next four years to develop the renewable hydrogen industry in Queensland, bringing the total investment in the Hydrogen Industry Development Fund to $25 million. The new funding will be used to continue working with project proponents to support renewable hydrogen projects in regional Queensland.

In addition, the government continues to invest in regions through the Building our Regions program, which also leverages funding from local governments, the Australian Government and others.

Investing in skills

The government's Economic Recovery Plan recognises the importance of equipping Queenslanders with the skills needed in our future economy. The plan focuses on building workforce resilience and adaptability through facilitating upskilling and lifelong learning to support job opportunities for Queenslanders.

Targeted skills development is necessary to enable individuals to capitalise on both current and future employment opportunities, supporting them to achieve higher incomes, meaningful employment and to improve their overall quality of life.

The 2020-21 Budget continues the government's investment to ensure the state has a highly skilled and adaptable workforce, including:

- Around $1 billion over four years through the Great Schools, Great Future commitment, to provide new classrooms and facilities at existing schools to meet growing enrolments.
- Expanding the Building Future Schools Fund to $1.7 billion by investing an additional $346.2 million over four years from 2020-21, including for four new schools.
- $21 million for the Free TAFE and Free apprenticeships initiatives for Queenslanders aged under 25 years for qualifications in priority areas.
- $200 million to invest in the future skills requirements of Queenslanders, including: funding for TAFE facilities; priority skills, pre-apprenticeships; capacity building in manufacturing, digital workforces, and social enterprise; and targeted support for disadvantaged cohorts.

Back our frontline services

The government continues to focus on frontline service delivery, ensuring Queenslanders, no matter where they live, can receive the support they need at the time they need it.

This budget with significant spending on key frontline services, including funding for more nurses, doctors and other health professionals, teachers, community service staff, firefighters, paramedics and police personnel.

Close to 90% of all Queensland public sector employees are in frontline or frontline support roles working closely with local communities across the state. Funding in the budget will support the election commitment of additional health service staff including 5,800 nurses, 1,500 doctors and 1,700 allied health professionals through to September 2024.

Other key measures contained in the budget include:

- Employing 6,190 new teachers and 1,139 new teacher aides over the next four years to support learning outcomes across the state.
- Increased funding to up to $36 million over four years to Surf Life Saving Queensland to support its crucial efforts in safeguarding Queenslanders and the state's visitors.
- An additional 357 firefighters over five years to help the community prevent, prepare for, respond to and recover from the impact of fire and emergency events.
- Hiring an additional 2,025 police personnel over the next five years, and 25 new mobile police beat vans will be established.

Protect the environment

Queensland's natural beauty and rich resource endowment has made a significant contribution to the state's prosperity. The government's recovery plan maintains a strong focus on ensuring appropriate protections are in place for optimising the use of our natural resources. This will unlock opportunities that deliver sustainable outcomes in terms of growth and the environment for the benefit of current and future generations of Queenslanders.

The COVID-19 pandemic is also likely to create opportunities for Queensland to enhance its position and reputation as a safe lifestyle destination for tourists, businesses and potential migrants. Protecting our environment, complemented by provision of sustainable and resilient infrastructure, will boost the state's competitiveness in attracting investment, businesses and highly skilled workers.

The government has announced a suite of programs to protect the environment, with existing and new initiatives outlined in the budget including:

- Consistent with the 50% renewable energy target, the government recently announced a $500 million Renewable Energy Fund to support the renewable energy sector. The Fund complements the government's $145 million commitment to establish three renewable energy zones across Queensland to foster jobs and growth in regional Queensland.
- One of the state's biggest tourism attractions and environmental wonders – the Great Barrier Reef – will benefit from an additional $40 million worth of support. This includes $10 million for a Reef Assist Program and $6 million over four years for the GBR Island Arks project to deliver ecotourism in the region.
- A further $27.1 million has been allocated to support reef water quality activities. The latest Reef funding builds on more than $400 million committed by the government since 2015.
- $10.5 million will be delivered in 2020-21 as part of the five-year $65 million Queensland Resilience and Risk Reduction Fund.

Supporting Queenslanders

The impact of the COVID-19 pandemic has been significant and the Queensland Government moved quickly to introduce a substantial relief package to support Queenslanders.

A critical element of the government's support was the introduction of substantial tax relief measures to support Queensland businesses, particularly small-to-medium enterprises. These initiatives, or tax expenditures, were primarily aimed at supporting the cashflows and viability of Queensland businesses, landlords, tenants, and the state's pubs and clubs.

Key tax relief measures included: tax refunds, waivers, and rebates; deferrals of tax liabilities; and tax exemptions.

As well as tax relief, the government also provided a range of concessions and assistance measures to further support Queensland businesses and households impacted directly and indirectly by COVID-19.

These include: electricity rebates, concessional loan schemes, commercial rent relief, transport service supports, business counselling and financial advisory services, subsidies for accommodation and travel, various registration and licencing fee waivers, reduced or waived annual fees, and other sector-specific assistance measures.

The Queensland Government is committed to providing critical support for households and businesses across the state as the community and economy continue to recover from COVID-19.

Economic Outlook

The COVID-19 pandemic has delivered an unprecedented shock to the global economy, with data indicating that economic outcomes are more favourable where health outcomes are better.

The pandemic and related restrictions led to a record 5.9% fall in domestic economic activity in Queensland in June quarter of 2020, less than the 7.4% fall recorded in national domestic activity and declines in New South Wales (down 8.6%) and Victoria (down 8.5%).

Importantly, Queensland's success in containing the spread of the virus means the June quarter is now expected to be the lowest point in the COVID-19 economic cycle, with the unwinding of restrictions and substantial income support and stimulus provided across all levels of government having facilitated a strong rebound in domestic activity in the September quarter.

Domestic and global conditions have continued to evolve since C19-FER but currently appear to be on different trajectories. While many indicators of Queensland's domestic economy have continued to improve, the global outlook has weakened further and remains the key risk to the state's economic outlook.

On balance, the Queensland economy is still forecast to return to marginal growth (up ¼%) in 2020-21, unchanged from the C19-FER forecast. Economic growth is then forecast to rebound to 3½% in 2021-22, followed by ongoing solid growth of around 2¾% in 2022-23 and 2023-24.

COVID-19 has also had a substantial impact on the Queensland labour market, with employment in Queensland falling by a record 205,400 persons (or 8.0%) between March and May 2020.

However, since May, there has been a rapid and strong recovery in the Queensland labour market. Employment increased by 205,900 persons between May and October 2020, to be 500 persons above the pre-COVID-19 level in March. Similarly, the monthly number of hours worked in Queensland rebounded between May and October, to be 0.4% above pre-COVID-19 levels.

Queensland is the only state where employment and hours worked have rebounded to above their pre-COVID-19 levels. This highlights the extent of the recovery in the state's labour market following the easing of restrictions due to success in containing the virus.

This strength is reflected in the outlook for employment, which in year-average terms is forecast to rise 1% in 2020-21 (compared with a 3% fall forecast at C19-FER), and in quarterly terms, is forecast to rise by 6¾% (around 160,000 persons) through the year to June quarter 2021.

The improved employment conditions and outlook has also flowed through to unemployment. The year-average unemployment rate is now forecast to average 7½% in 2020-21 (down from 8½% at C19-FER) and improve steadily over coming years, falling to 6½% by 2022-23. In quarterly terms, the seasonally adjusted unemployment rate is expected to have peaked at 7.9% in September quarter 2020, lower than the 9% peak expected in December quarter 2020 at C19-FER.

Overview Table 1 Queensland economic forecasts/projections[1]

	Actuals		Forecasts		Projections	
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Gross state product[2]	**1.6**	**-0.4**	**¼**	**3½**	**2¾**	**2¾**
Nominal gross state product	5	-1.2	-3	6¼	4¼	5
Employment[3]	1.4	0.5	1	2¼	2	2
Unemployment rate[4]	6.1	6.4	7½	7	6½	6½
Inflation[3]	1.6	1.2	1¼	1½	1¾	2
Wage Price Index[3]	2.3	1.9	1¼	1½	2	2¼
Population[3]	1.7	1½	1	1	1¼	1½

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. CVM, 2017-18 reference year. 2019-20 GSP outcome is a preliminary estimate and may be revised in the September quarter 2020 *Queensland State Accounts*.
3. Annual percentage change, year-average.
4. Per cent, year-average.

Sources: ABS National, State and Territory Population, Labour Force, Wage Price Index, Consumer Price Index and Queensland Treasury.

Fiscal Outlook

Queensland has needed to significantly increase expenditure, both for health services and supporting the community and businesses through this crisis. This reflects the government's strategic intent with responding to this crisis to safeguard the health of Queenslanders as the foremost priority, while helping industries and businesses adapt and recover.

The decision to prioritise the health crisis response and economic recovery has meant that Queensland's fiscal position has been substantially impacted. However, Queensland entered this crisis with a robust fiscal position. This will allow the budget to weather the crisis and be positioned for recovery as the immediate pandemic pressures ease and productivity initiatives take effect.

Risks to the fiscal outlook remain elevated, and flow from risks to the macroeconomic outlook. Another substantial or elevated wave of the pandemic disrupting recovery in global demand for Queensland exports, delays in the availability of an effective vaccine, and an abrupt unwinding of Australian Government fiscal stimulus measures would all prolong negative effects on demand and activity. An escalation of geopolitical tensions and trade disputes would also hinder global economic recovery.

Queensland's operating position has been significantly affected by the impact of the economic downturn on revenues as well as the cost of support and recovery measures. The operating deficit for 2019-20 was $5.734 billion, in line with the C19-FER expectation, with an estimated deficit of $8.633 billion forecast for 2020-21. The deficit position is expected to improve substantially over the forward estimates period as the economy recovers and support measures are no longer required.

Queensland has also remained committed to a substantial infrastructure investment program, committing a total four-year capital program of $56.031 billion in the 2020-21 Budget. The government's Economic Recovery Plan to restore prosperity includes maintaining a significant infrastructure program as a major driver of economic growth and job creation and to give industry confidence to invest and generate jobs.

Responding to COVID-19 has led to increased borrowings, driven by the General Government Sector. General Government Sector borrowing with QTC is estimated to be $53.501 billion by 30 June 2021. While this compares with the $53.148 billion projection outlined in C19-FER, it is a significant increase on the pre-crisis forecast of $34.772 billion outlined in the 2019-20 MYFER.

Non-financial Public Sector borrowing with QTC is estimated to be $93.467 billion by 30 June 2021. This is comparable to the $93.125 billion projection outlined in the C19-FER, but materially higher than the pre-crisis forecast of $75.055 billion, as outlined in the 2019-20 MYFER.

The increased borrowings are unavoidable without austerity measures. The government has put the health of Queenslanders and the economic recovery first. While borrowings are rising, serviceability of borrowings remains strong.

The COVID-19 pandemic has resulted in some of Queensland's fiscal principles not being met and appropriate revisions will be considered ahead of the 2021-22 Budget. The government recognises the importance of economic recovery while ensuring spending continues to be well-targeted to drive competitiveness and productivity. While economic recovery is the key priority in the near term, a disciplined approach will position the state well for fiscal recovery.

To assist with the funding of the Queensland's COVID-19 economic recovery, the government is implementing a Savings and Debt Plan within government services to deliver savings of $3 billion over four years to 2023-24. The government has achieved 47%, or $352.2 million, of its savings target for 2020-21 through a range of measures. Savings will continue to be achieved by focussing on core tasks with government resources directed to where they are needed most.

Overview Table 2 Key Fiscal Aggregates[1]

	2018-19 Outcome $ million	2019-20 MYFER $ million	2019-20 Actual $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
General Government Sector							
Revenue	59,828	59,914	57,764	56,249	60,504	63,394	66,326
Expenses	58,843	59,763	63,498	64,881	64,806	65,874	67,715
Net operating balance	**985**	**151**	**(5,734)**	**(8,633)**	**(4,303)**	**(2,480)**	**(1,389)**
PNFA[2]	5,764	7,223	6,291	7,572	8,136	8,078	7,762
Fiscal balance	(2,207)	(4,068)	(9,158)	(13,440)	(9,085)	(6,647)	(4,370)
Borrowings with QTC	29,468	31,774	37,570	53,501	64,525	73,924	80,653
Leases and similar arrangements[3]	2,612	6,071	6,499	7,565	7,408	7,484	7,768
Securities and derivatives	121	121	198	198	198	198	198
Net debt	(198)	7,030	14,046	25,499	35,511	44,228	50,782
Non-financial Public Sector							
Borrowings with QTC	67,576	70,832	76,464	93,467	104,626	114,217	121,039
Leases and similar arrangements[3]	2,612	6,481	6,991	8,033	7,843	7,884	8,135
Securities and derivatives	720	544	1,505	720	618	567	549
Net debt	34,196	44,123	50,592	63,467	73,770	82,624	88,906

Notes:
1. Numbers may not add due to rounding. Bracketed numbers represent negative amounts.
2. PNFA: Purchases of non-financial assets.
3. Reflects the 'Leases and similar arrangements' and 'Securities and derivatives' line items in the balance sheet.

1 Economic recovery – enhancing productivity and competitiveness

Features

- Reflecting Queensland's success in controlling the spread of coronavirus (COVID-19), the state's economic recovery is clearly underway and gathering momentum, with employment in Queensland having rebounded in October 2020 to pre-COVID-19 levels.
- The Queensland Government's swift and effective policy response, through a range of targeted support and stimulus measures, was appropriately focused on protecting the health of Queenslanders, supporting businesses and communities during the crisis, positioning businesses to recover and getting Queenslanders back into jobs.
- Built around *Unite and Recover: Queensland's Economic Recovery Plan*, the Queensland Government, working together with industry and the community, has identified nine key areas of focus that will help drive the ongoing recovery: Safeguarding our health; Supporting jobs; Backing small business; Making it for Queensland; Building Queensland; Growing our regions; Investing in skills; Back our frontline services; and Protect the environment.
- The Queensland Budget 2020-21 outlines the substantial commitments the government has made to support and drive the state's economic recovery, including in these key areas.
- However, as highlighted in the Economic Recovery Plan, Queensland's economic recovery from COVID-19 is a long-term challenge that requires a long-term response. In addition to maintaining the current momentum, the policy focus will continue to pivot to an emphasis on driving sustainable economic growth and job creation over the longer term.
- A pro-growth and pro-business policy focus, underpinned by driving ongoing improvements in the competitiveness and productivity of the state's key industries, will be critical to drive sustainable economic growth and restore Queensland's prosperity.
- The private sector supports around 84% of total employment in Queensland. Therefore, continuing to create an environment that supports business competitiveness and productivity is paramount to creating jobs, improving incomes, reducing the unemployment rate and improving the living standards of all Queenslanders.
- To achieve this aim, the government's economic strategy to boost growth and create jobs will include an increased focus on: building the state's productive capacity through investments in infrastructure, skills and fostering innovation; leveraging Queensland's natural and competitive advantages; maintaining an efficient and responsive public sector that continues to deliver essential services to all Queenslanders; reducing costs for business to enhance their competitiveness; and driving regulatory reform to support growth.

1.1 Queensland's Economic Recovery Plan

The Queensland Government's objectives for the community are built around the Economic Recovery Plan. These nine objectives are:

- **Safeguarding our health*:*** Safeguarding our health and jobs by keeping Queensland pandemic ready.
- **Supporting jobs*:*** Support increased jobs in more industries to diversify our economy and grow our existing strengths in agriculture, resources and tourism.
- **Backing small business*:*** Helping small business, the backbone of our economy, thrive in a changing environment.
- **Making it for Queensland*:*** Growing manufacturing across traditional and new industries, making new products in new ways and creating new jobs.
- **Building Queensland*:*** Driving investment in the infrastructure that supports our recovery, resilience and future prosperity.
- **Growing our regions*:*** Helping Queensland's regions grow by attracting people, talent and investment, and driving sustainable economic prosperity.
- **Investing in skills*:*** Ensuring Queenslanders have the skills they need to find meaningful jobs and set up pathways for the future.
- **Back our frontline services*:*** Deliver world class frontline services in key areas such as health, education and community safety.
- **Protect the environment**: Protect and enhance our natural environment and heritage for future generations and achieve a 50% renewable energy target by 2030.

The Queensland Government's Economic Recovery Plan highlighted initiatives totalling more than $7 billion to support jobs, businesses and economic opportunities in Queensland.

Building on this support, the government has committed to a significant package of election commitments totalling $4.3 billion over four years. These measures provide essential support for service delivery as well as continued resources for COVID-19 support and recovery.

First and foremost, key budget initiatives will continue to protect and safeguard the health of all Queenslanders, no matter where they live.

Further, a range of key initiatives outlined in the budget will support ongoing recovery of the state's businesses, in particular our vital small businesses, so they have the confidence to invest, grow and employ. These initiatives will drive growth and jobs across all key sectors of the economy, including driving growth in manufacturing and the state's other critical export-oriented industries that directly support one in four jobs across the state.

The success of Queensland's health response to protect Queenslanders has highlighted that the state's long-term economic success will also depend on our ability to protect the health and wellbeing of Queenslanders, including their mental health. In line with this commitment, the budget allocates total health funding of $21.8 billion in 2020-21, including more than $1.6 billion for essential health infrastructure projects across the state.

The government's key measures to build the productive capacity of the Queensland economy and leverage the state's natural and competitive advantages, through broad and targeted measures that support industry, business and protect the environment, are providing employment opportunities for hundreds of thousands of Queenslanders now and will also support future jobs.

The 2020-21 Budget outlines a substantial capital program of $56.031 billion over four years throughout Queensland, which is estimated to directly support 46,000 jobs in 2020-21.

Growing the manufacturing base capabilities across both traditional and new industries will support economic diversity and resilience, as well as create new jobs.

The suite of programs included in the budget to support and drive this innovation and growth in manufacturing include the establishment of an Immersive Technology Hub, delivering programs to connect research and technology companies, an agreement with Vaxxas to manufacture needle-free vaccine technology, continuation of support to Rheinmetall Defence Australia's $170 million facility at Redbank, and an almost $1 billion investment pipeline to build trains in Queensland.

The state's regional economies and communities will play a key role in driving the state's recovery from COVID-19, building the state's resilience in the face of an ever-changing global landscape, and supporting ongoing growth in secure, highly-skilled and well-paid jobs. The government is investing in a wide range of programs and initiatives to support the state's regions, including: $200 million additional funding for the Works for Queensland program; $15 million for a regional tourism organisation fund, and funding for a range of major regional infrastructure projects (e.g. the Cairns Marine Precinct, the Wellcamp entertainment precinct near Toowoomba, Bundaberg flood levee, and the Rookwood Weir).

In addition, the government continues to invest in regions through the Building our Regions program, with approvals to date of $348.3 million towards infrastructure and planning projects across regional Queensland. This has leveraged financial co-contributions of almost $538.3 million from local governments, the Australian Government and others, to create a total value of capital expenditure of $886.6 million. Small businesses across the state have also been among the hardest hit by the economic impacts of the COVID-19 pandemic. In response to the crisis, the government has implemented a number of programs and initiatives designed to support small businesses and their employees.

These include the $1 billion concessional job support loan initiative, significant state government tax relief, up to $196 million in Small Business Adaption Grants, and $100 million in electricity bill relief. The budget also includes a new $500 million Backing Queensland Business Investment Fund to target investments in businesses based in Queensland and create Queensland-based jobs.

Ongoing and targeted skills development is necessary to enable individuals to capitalise on both current and future employment opportunities, supporting them to achieve higher incomes, gain meaningful employment and improve their overall quality of life. The 2020-21 Budget continues the government's investment to ensure the state has a highly skilled and adaptable workforce, including significant investments in schools through programs such as the Building Future Schools Fund and Great Schools, Great Future commitment, as well as in training, such as the Free TAFE and Free apprenticeships initiatives.

The government continues to focus on frontline service delivery, ensuring Queenslanders, no matter where they live, can receive the support they need at the time they need it.

This budget continues that focus, with investments for more nurses, doctors and other health professionals, teachers, community service staff, firefighters, paramedics and police personnel.

1.2 Transitioning from support and stimulus to productivity and private sector growth

In response to the unprecedented COVID-19 crisis, the Queensland Government's immediate policy focus was rightly on protecting the health of Queenslanders, supporting Queensland businesses, keeping Queensland workers connected with their employers and getting Queenslanders back into jobs through well-targeted support and stimulus measures.

This policy focus was consistent with the global consensus that governments needed to provide substantial fiscal stimulus and policy support to help counteract the direct and indirect impacts of the pandemic.

Reflecting Queensland's success in controlling the spread of COVID-19, and the resulting substantial relaxation of emergency health restrictions, there are clear signs that Queensland's economic recovery is underway and gathering momentum.

As outlined in Chapter 2, some key indicators of domestic economic activity are showing a return to pre-COVID-19 levels of activity while, most importantly, employment and hours worked have both rebounded in October 2020 to be higher than that recorded prior to the onset of the crisis. Indeed, Queensland is the only state to record levels of employment and hours worked in October 2020 that were higher than those recorded pre-COVID-19 in March 2020.

However, despite the economic recovery now underway in Queensland, the COVID-19 pandemic will have a significant and lasting impact on the state's industries, regions and communities.

Therefore, as highlighted in the Economic Recovery Plan, the government's policy focus will continue to pivot to a focus on improving the competitiveness and productivity of Queensland's key industries, in order to drive private sector growth and investment.

As highlighted in Box 1.1, this enhanced focus on bolstering the fundamentals that underpin the longer-term health of the economy is necessary to create strong, sustainable economic growth that generates increased employment opportunities for all Queenslanders, including our disadvantaged cohorts such as our youth.

The long-term economic prosperity of Queensland fundamentally depends on the state's ability to be a competitive exporter of goods and services to domestic and global markets.

As such, it will be critical to ensure the government's regulatory, taxation, industry and regional development policy settings are appropriate to position Queensland as a competitive and attractive location for businesses to establish, invest and employ. Continuing to create a business-friendly environment and facilitating productivity-enhancing investment will improve the capability and flexibility of businesses, workers and households to adapt, innovate and respond to market changes and future external shocks, including climate change.

The private sector currently supports around 84% of total employment in Queensland, with one in four jobs directly dependent on overseas and interstate trade. This highlights the need to create an environment that supports and facilitates business growth in order to create jobs and reduce the unemployment rate over time.

Strong private sector growth will also be critical to reduce the need for ongoing fiscal support and to drive a return to the sustainable government revenues needed to restore the state's fiscal position. This will ensure the state has the capacity to respond to new challenges, and maintain the provision of world-class essential services to all Queenslanders.

The government's pro-growth and pro-business economic strategy will include continued substantial investment in infrastructure, skills and innovation to build the productive capacity of the state's industries and workforce, while leveraging off Queensland's natural and competitive advantages to drive growth across all our regions.

Therefore, in pursuing all nine of the government's objectives for the community, driving longer term economic growth and prosperity will be underpinned by an enhanced focus on:

- Building Queensland's productive capacity, including through appropriate investment in productivity-enhancing infrastructure, skills and training, and fostering innovation.
- Leveraging the state's natural and competitive advantages, including in our regions
- Maintaining a responsive public sector to provide timely and efficient services to all Queenslanders.
- Reducing costs for businesses to increase their competitiveness.
- Regulatory reform to support growth.

Leveraging the substantial support and stimulus measures already announced to support the state's economic recovery, the government's focus on improving productivity and competitiveness will create more well-paid secure jobs, increase incomes, reduce the unemployment rate and improve prosperity and living standards for all Queenslanders.

Box 1.1 Why improving productivity and competitiveness is important

Increasing productivity means Queenslanders can produce more and earn more for the same amount of work, thereby increasing incomes and living standards.

In 1901, the average Australian weekly wage was approximately $340 (in 2019 dollars) for working an average of almost 50 hours a week. In November 2019, it was approximately $1,660 for working on average just under 32 hours a week, and with substantial improvements in working conditions over that time. This means the average income of a worker in 2019 was almost five times higher than it was in 1901, despite working fewer hours.

There is a strong evidence base and international consensus that sustained improvements in productivity and competitiveness are necessary in the long run for continuous increases in employment, business investment, household real incomes and overall standards of living.

Building and maintaining momentum in private sector growth is especially important in the context of the continued recovery from COVID-19.

Increasing the productivity and competitiveness of key industries is particularly important in the Queensland context, given the state strongly relies on domestic and international trade to increase economic opportunities and create prosperity. In 2018-19, overseas exports accounted for 28% of Queensland’s Gross State Product (GSP), while nearly one in four jobs across the state are directly dependent on interstate and international trade.

Increasing annual average productivity growth by only 0.1 percentage points over the remainder of this decade would add around $4.9 billion to GSP in 2030, equating to around $1,400 in additional income per Queensland household.

Key factors for lifting productivity include delivery and better use of infrastructure, enhanced supply chain linkages, innovation, improved agglomeration benefits through investment precincts, an agile and responsive business and regulatory environment, and a more skilled workforce, supported through investment in education, skills and training.

1.3 Building our productive capacity

Building the productive capacity of the economy, by investing in enabling infrastructure, skills and innovation, is critical to support economic growth and promote greater workforce participation.

1.3.1 Productive infrastructure

The government’s ongoing commitment to delivering and facilitating productivity-enhancing and catalytic infrastructure will improve productivity and connectivity across the economy.

Infrastructure connects individuals and households to employment opportunities and enables all Queenslanders to access essential services, such as health care and education.

Infrastructure improves business connectivity, productivity, and competitiveness; and connects supply chains to more efficiently move goods and services across industries, regions, the rest-of-Australia, and overseas. As such, it increases the broader longer-term productive capacity of the Queensland economy, which leads to the creation of more high-value long term jobs across industries and regions.

Further, the COVID-19 pandemic is likely to create opportunities for Queensland to enhance its position and reputation as a safe lifestyle destination for tourists, businesses and for potential migrants. The provision of essential and strategic infrastructure, including supporting greater access to reliable and affordable digital services, will boost the state’s competitiveness in attracting investment, businesses and highly skilled workers.

As part of Queensland’s Economic Recovery Plan, the government committed to maintaining the current state infrastructure investment program at $51.8 billion over the four-year period from 2019-20 to 2022-23.

In line with this commitment, the 2020-21 Budget includes a substantial capital works program totalling $56.031 billion over the four years to 2023-24.

Key capital works projects outlined in the budget include both a series of new fast-tracked infrastructure projects as well as the continuation of major existing projects, including the flagship Cross River Rail, M1 and Bruce highway upgrades, Gold Coast Light Rail Stage 3A, and the North Coast Line between Beerburrum and Nambour. Details on these projects and other infrastructure priorities are provided in the Capital Statement (Budget Paper 3).

The government's capital works program is important in directly supporting construction-related jobs in the short to medium term, with the capital works program estimated to directly support 46,000 jobs in 2020-21.

However, more importantly, this substantial investment in infrastructure will continue to support Queensland's economic recovery, resilience and future prosperity. As such, the government will continue to prioritise projects that align with the government's economic recovery priorities and are supported by strong business cases that deliver sustained economic and service delivery benefits beyond simply boosting short-term demand or providing immediate economic stimulus.

1.3.2 Investing in skills and training

The government's Economic Recovery Plan recognises the importance of equipping Queenslanders with the skills needed in our future economy. The plan focuses on building workforce resilience and adaptability through facilitating upskilling and lifelong learning to support job opportunities for Queenslanders.

Continued and targeted skills development is necessary to enable individuals to capitalise on both current and future employment opportunities, supporting them to achieve higher incomes, gain meaningful employment and improve their overall quality of life.

Making better use of existing skills could offer significant benefits. Around 25% of Australian workers experience skills mismatch (i.e. they are not able to make full use of their education and training in their current employment), and it has been claimed that productivity could be increased by 6% if this mismatch could be reduced to an Organisation for Economic Co-operation and Development (OECD) best-practice level.[1]

Further, higher workforce participation is essential to support sustainable business growth and attract investment, as well as reduce the need for fiscal support, thereby reducing the need to raise additional government revenues and enabling a more competitive taxation regime to be maintained. This in turn will help enhance productivity and competitiveness across the economy.

As Queensland recovers from the COVID-19-induced national recession, creating job opportunities for, and improving the participation of, disadvantaged cohorts including youth, Aboriginal and Torres Strait Islanders, and women will be more important than ever.

Studies show that difficulties faced by jobseekers in entering or re-entering the labour market when economic conditions are challenging can have a long-lasting negative effect on individuals' earning ability, longer term job security and employment outcomes.[2]

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[1] OECD, 2015, *Labour market mismatch and labour productivity*

[2] For an international summary of this phenomenon see the OECD, 2016, *Society at a Glance*. Australian experiences are reviewed in Borland, 2020*, Labour market snapshot #58.*

Through the government's flagship Skilling Queenslanders for Work program, the government will continue to focus on investing in the skills needed to support private sector growth.

In the 2020-21 Budget, this commitment is complemented by a $200 million investment in the future skills requirements of Queenslanders, including: funding for TAFE facilities; priority skills, pre-apprenticeships; capacity building in manufacturing, digital workforces, and social enterprise; and targeted support for disadvantaged cohorts.

Funding of $21 million has also been committed to expand the Free TAFE and Free apprenticeships initiative to Queenslanders aged under 25 across priority qualifications.

Meanwhile, the Queensland Government will also continue partnering with the Australian Government to deliver the JobTrainer Fund to prioritise no or low fee training places for jobseekers, school leavers and young people to support them into jobs as part of the economic recovery from COVID-19.

To support future workforce capabilities and help improve workforce participation, the government continues to make significant investments in education, including through initiatives such as the $1.7 billion Building Future Schools Fund, the Great Schools, Great Future commitment, and the Cooler Cleaner Schools Program.

1.3.3 Fostering innovation

There is universal agreement that innovation directly leads to lasting improvements in productivity and competitiveness. Importantly, research and evidence clearly show that the effective diffusion of innovative ideas and approaches, and successful adoption of innovation, is the key to fostering further innovation across the economy. The Review of the National Innovation System notes that 98% of new technologies are currently sourced from outside Australia.[3]

In the post COVID-19 era, governments and firms are likely to have a renewed focus on opportunities for re-shoring, i.e. attracting and re-establishing business and activities that had located outside of Queensland and Australia.

The Advance Queensland program includes a range of programs targeting the creation of innovation, including a strong focus on start-ups. Through these initiatives, the government will continue to support the fostering, adoption and enhanced utilisation of innovation, including in relation to Queensland's trade-exposed industries where innovation is a key factor in maintaining or enhancing their international competitiveness.

[3] Cutler, 2008, Review of the National Innovation System

1.4 Leveraging our natural and competitive advantages

Leveraging the state's natural and competitive advantages, including across the state's regional economies, is critical to unlock private sector investment, ensure long term sustainable economic growth and create jobs in traditional, emerging and new industries.

1.4.1 Promoting regional growth and prosperity

The importance of Queensland's regional economies is highlighted by the fact that approximately half of Queensland's 5.2 million people reside outside the greater Brisbane area. In comparison, only about 34% and 23% of New South Wales' and Victoria's populations, respectively, live outside the greater Sydney and Melbourne areas.

While Queensland's regions support different and diverse economies, each with their own unique industry structure, a number of regions are interconnected through critical supply chains and interdependencies which create strategic economic zones across regions.

Queensland's regional economic foundations are built on strong natural and competitive advantages, such as the rich resources which support mining and heavy manufacturing in the North West region, including essential industry and workforce linkages with Townsville and Cairns.

The importance of leveraging our natural and comparative advantages is highlighted by the significance of agricultural production, coal mining and LNG production in the Central Queensland and Darling Downs-Maranoa regions, while the natural beauty of Queensland's forests, beaches, reefs, and landscapes enable tourism to have a strong foothold in Cairns, the Whitsundays, and across the Queensland Outback.

Many of Queensland's regions are heavily dependent on trade to drive their prosperity, with around 80% of the state's merchandise exports being produced in regional Queensland. Further, more than half of the state's tourism businesses are located in regional areas and, in some regions like the Whitsundays, tourism directly accounts for one in five jobs.

Despite the disruptions of COVID-19 to the global economy and traditional supply chains, there has been an increasing demand over time for Queensland's valuable resources; our clean, green food and agricultural products; and the skills and services provided by Queensland businesses.

As such, continuing to support these strong, traditional industries and identifying further opportunities to leverage these natural advantages, including through productivity-enhancing public and private sector investment, will be crucial to further enhance the regions' productive capacity and competitiveness over the longer term. In 2020-21, around 58% of the $14.8 billion capital works program will be delivered outside of the Greater Brisbane area, which will directly support 28,700 jobs.

1.4.2 Enhancing existing and attracting new manufacturing capacity

Queensland's manufacturers collectively contribute more than $22 billion to the Queensland economy and employ around 165,000 persons. Growing the manufacturing sector in both traditional and new industries will not only support economic diversity and resilience but also create new jobs.

The Economic Recovery Plan clearly identifies growing manufacturing across traditional and new industries as a priority area of focus, with the government committed to supporting the sector in making new products in new ways and creating new jobs.

The Economic Recovery Plan aims to foster growth precincts across the state by bringing manufacturers, skilled workers and supply chains together to power regional development. A key element of the Plan involves the government working together with industry to adopt innovative manufacturing techniques to enhance global competitiveness.

Enhancing Queensland's manufacturing base will play a key role in the state's economic recovery from the impacts of COVID-19. As outlined in Box 1.2 (see section 1.6), the government's commitment to deliver affordable and reliable energy is one of the key elements of its plan to drive competitiveness and growth in Queensland's manufacturing sector.

As another example of the government's commitment to supporting the growth of manufacturing in Queensland, in October this year the Queensland Government announced a partnership with Boeing Australia that, pending orders, will deliver Queensland a state-of-the-art advanced manufacturing facility to produce Boeing's newest unmanned aircraft, known as Loyal Wingman, for global customers.

This will be the first military aircraft to be designed, engineered and manufactured in Australia in over 50 years. It is Boeing's largest investment in an unmanned aircraft program outside of the United States.

Further, as part of this budget, the Queensland Government will continue to provide targeted support to Queensland's manufacturing industry, including a strong focus on attracting new businesses to the state. Such initiatives are particularly valuable where through building industry capability and supply chain linkages, they deliver broader benefits to industry and the economy beyond the individual firm.

Among the suite of programs included in the budget are the establishment of an immersive technology hub, building train manufacturing capability, further investments in the hydrogen industry, and other initiatives that align closely with the Queensland Government's Biomedical and Defence industry Roadmaps.

1.5 Responsive public sector

The far-reaching social and economic impacts arising from the COVID-19 pandemic led to an immediate and targeted response from the government, to ensure the provision and delivery of essential services to Queenslanders, in particular health services, during this highly challenging period was not only maintained but also enhanced and expanded.

Specifically, this response involved the government enacting targeted measures that provided greater flexibility and support to communities, businesses and individuals to help mitigate the adverse impacts associated with the pandemic, particularly in terms of supporting positive health outcomes and ongoing economic recovery efforts.

The government responded quickly to the COVID-19 pandemic, committing $1.2 billion to support the health response by expanding fever clinics, emergency department capacity, acute care services, and regional and remote services, as well as building strong contact tracing and testing capability and mobilising additional resources to support the health effort.

The government also worked with local manufacturers to address gaps in the supply chain, encouraging Queensland firms able to support the emergency health response and pivot to produce essential personal protective equipment.

As part of the government's ongoing commitment to support the delivery of world-class health services across the state, the budget includes $20.2 billion for health services expenditure in 2020-21, including delivering expanded access to specialist outpatient services. Meanwhile, more than $1.6 billion has been allocated for health-related infrastructure projects throughout the state in 2020-21.

While safeguarding the health of all Queenslanders remains the key priority, the government also continues to focus on frontline service delivery more broadly, ensuring Queenslanders, no matter where they live, can receive the support they need at the time they need it.

This budget continues that focus with significant spending on key frontline services, including funding for more nurses, doctors and other health professionals, teachers, community service staff, firefighters, paramedics and police personnel.

As the government's service delivery priorities shift from a focus on responding to COVID-19 to longer term service provision to support economic recovery and growth, agencies will continue to identify opportunities to improve the effectiveness and efficiency of government service delivery.

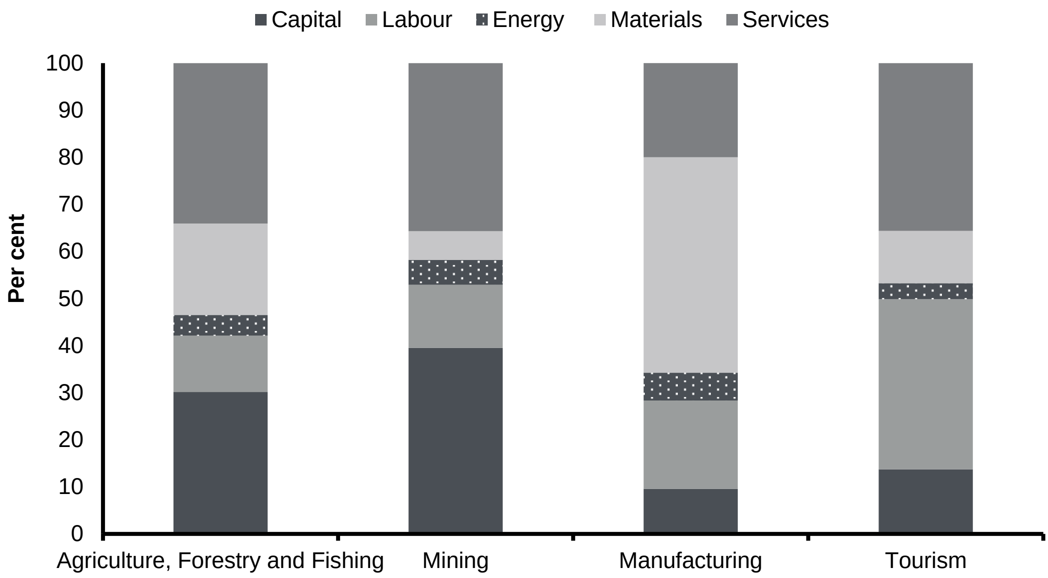
To this effect, the Queensland Government will continue to ensure realisation of better value and outcomes from existing government spending, which includes continued monitoring of procurement policies to ensure these are responsive, support Queensland businesses and local jobs, and ensure that services can be delivered in a way that improves quality and overall social and economic welfare outcomes.

1.6 Reducing costs for businesses to increase their competitiveness

The cost structure of businesses varies substantially within and across industries. However, all businesses use some mix of capital, labour, energy, materials and services to produce output and supply this output to market (see Chart 1.1). There are a diverse range of domestic and international factors which influence the prices of these inputs, with many of these being market driven.

A key input cost for many businesses is the need for reliable and affordable energy, a critical component of overall business costs across many of Queensland's key industries. In particular, affordable energy is crucial to support growth in Queensland's manufacturing industry and enable the value adding activities associated with leveraging the state's natural economic strengths, including in mining and agriculture (see Box 1.2).

Chart 1.1 Cost structure for key Queensland industries[1]



Note:

1. Shares of economic input costs as defined under the KLEMS approach: Capital (K), Labour (L), Energy (E), Materials (M) and Services (S).

Source: ABS Experimental Estimates of Industry Level KLEMS Multifactor Productivity and Queensland Treasury

The government is providing targeted support to businesses and industry to reduce the costs of doing businesses. In this budget, more than $81 million has been allocated over three years to reduce the costs of irrigated water charges for the state's farmers and fruit and vegetable growing businesses.

Further, the government is committing a new $500 million Backing Queensland Business Investment Fund to support targeted investment in Queensland businesses and help create local jobs.

Box 1.2 Affordable energy can improve competitiveness and productivity, and deliver jobs

Energy costs, including electricity, gas and fuels, account for around 3% of total costs to industry.

However, energy costs can be much more significant for key industries exposed to global prices and for specific energy-intensive facilities, such as metal refining. Further, energy-intensive industries often operate in competitive global markets, meaning they are limited in the extent to which they can pass through higher energy costs.

While energy costs may appear relatively small as a direct proportion of total business costs in some cases, it is important to note the additional indirect impact on business costs through the cost of energy used in producing other inputs.

Energy costs are also important from a regional perspective, given energy-intensive industries such as mining, metals processing, and tourism (which is a significant user of fuel for transport) are generally significant contributors to overall economic activity in Queensland regions.

Treasury modelling shows that over the long run, a 10% reduction in electricity prices, and the resulting productivity gains, could lead to incremental annual growth of $1.1 billion in GSP, up to 1,500 new jobs and $730 million in additional exports.

The Queensland Government recognises the importance of reliable and affordable energy costs to boost businesses' and industries' competitiveness. Key reforms undertaken by the government are putting a downward pressure on wholesale electricity prices.

In 2016-17, with wholesale prices at elevated levels across Australia, the Queensland Government undertook a range of reforms to put downward pressure on electricity prices for households and businesses.

The government's *Powering Queensland Plan* established CleanCo as the state's new renewable energy generator to increase competition in the wholesale electricity market and place downward pressure on wholesale electricity prices. As part of the plan, the government also returned the Swanbank E gas-fired power station to service which increased generation supply at peak times, introduced a 50% renewable energy target by 2030, and announced a 400 megawatt (MW) renewable energy reverse auction.

These actions improved wholesale pricing competition, supported the renewable energy sector, and increased generation supply across Queensland. Approximately 2,500MW of large-scale renewable projects have since been built, and a further 2,100MW is under construction or financially committed.

This additional supply and improved competition have contributed to Queensland having the lowest wholesale price of all mainland states in the National Electricity Market over the past three years. According to the Australian Energy Regulator, Queensland's average quarterly price for Q3 2020 was $34 per megawatt hour (MWh), compared with $82/MWh for the corresponding period in 2017.

The newly announced Renewable Energy Fund will build on this success by offering $500 million to GOCs to invest in commercial renewable energy projects and supporting infrastructure, including in partnership with the private sector. This will leverage government funding and GOC capabilities to bring forward capital investment and jobs and increase electricity supply from renewable projects. The Fund complements the government's $145 million investment to unlock three Renewable Energy Zones to support new solar and wind investment across the state.

1.6.1 Supporting small business

Small business is a critical driver of economic activity, growth and employment in Queensland, with small businesses representing over 97% of all businesses across the state and employing around 42% of private sector workers in Queensland.

Significantly, small businesses across the state have also been among the hardest hit by the economic impacts of the COVID-19 pandemic, given several of the most severely impacted sectors of the economy, including tourism-related businesses and many non-essential services, tend to be in industries dominated by small businesses.

Importantly, to support the longer-term recovery and growth of small businesses, the government is supporting small business access to government procurement and also leading the way in terms of on-time payments to small businesses to improve payment practices and timeframes.

To further assist small business recovery, the 2020-21 Budget includes additional funding to permanently appoint a Small Business Commissioner and establish the Office of the Small Business Commissioner, as a dedicated specialist role to work with small businesses and advocate for them across the state.

1.7 Regulatory reform to support growth

The challenges faced by governments at all levels in responding to COVID-19 highlighted the need to ensure regulation is well-targeted, flexible, proportionate and designed in a way to minimise the regulatory burden on businesses and the community.

Just as importantly, given the need for many businesses to adjust in response to the crisis, it has highlighted the importance of a regulatory environment that does not impose unnecessary costs for businesses, or hinder or reduce business' capacity to respond to challenges and opportunities.

In response to COVID-19, the Queensland Government implemented a broad range of regulatory reforms to support businesses during the crisis period. Several of those reforms have subsequently been implemented as more permanent measures and further consideration is currently being given to the merits of other reforms being extended or made permanent.

The government is now committed to maintaining that momentum of driving regulatory reforms to support the state's economic recovery and sustainable economic outcomes.

In addition to reducing red tape, a strong focus on improving and simplifying Queensland's regulation where appropriate will aim to deliver a streamlined and responsive regulatory framework that:

- supports existing Queensland businesses to be more innovative, resilient and competitive
- attracts new business, skills and investment - bringing new opportunities and jobs
- minimises cost to government and frees up resources to invest more in frontline services.

As such, the Queensland Government's ongoing regulatory reform efforts will focus on ensuring that Queensland's regulations are necessary, effective and efficient – freeing up state resources to deliver essential services.

Box 1.3 Driving ongoing regulatory reform

Reforms implemented or being implemented

The government implemented a number of regulatory reforms in response to the COVID-19 pandemic in order to reduce costs for business and allow for greater flexibility in the context of the emergency health restrictions. Examples included simplifying planning frameworks and allowing for the use of electronic methods of completing and executing various legal documents.

As part of ongoing efforts to drive economic recovery and growth, the government is assessing the merit and feasibility of continuing some of these reforms on an ongoing basis, as well as identifying new regulatory reforms that it will be able to implement unilaterally to reduce costs for businesses. Key areas in which options for ongoing reform are being investigated include planning, pharmacy and telehealth, signature and witnessing requirements for legal documents, and regulations related to tenancies.

Queensland is also participating proactively and collaboratively with other states and territories and the Australian Government through National Cabinet, the Council on Federal Financial Relations and other intergovernmental forums to investigate and implement national regulatory reforms focused on lowering the costs and burden of regulation, and making it easier for businesses to recover, invest and create jobs.

The government also appointed a dedicated Small Business Commissioner to work with small business, providing necessary support and advice needed by small business owners. As part of its recent election commitments, the government will establish an ongoing role for a Small Business Commissioner to advocate for small business owners across the state and help empower them to drive economic growth.

In line with the government's commitment to enhanced regulatory reform, the Queensland Productivity Commission will be integrated into Queensland Treasury to establish the Office of Productivity and Red Tape Reduction (OPRTR).

The OPRTR will remain focused on detailed reviews of complex policy matters and regulatory review, but will enable a stronger focus on issues, including regulatory reform, that will assist the Queensland economy to recover from the significant impacts of COVID-19.

The Small Business Commissioner will also engage closely with the OPRTR to continue to deliver small business regulatory reforms that will support the state's ongoing economic recovery.

Some of the government's key regulatory reforms to improve the productivity and competitiveness of Queensland businesses will include:

- Leveraging the expertise of the new OPRTR within Queensland Treasury to identify impediments to business investment and to work with agencies to identify opportunities for regulatory reform and to reduce red tape for business, including small business.
- Engaging pro-actively with other jurisdictions and delivering on national and inter-jurisdictional reforms that generate the most benefit for Queensland and support economic growth and jobs.
- Ensuring the ongoing effectiveness of the state's regulatory impact assessment system to ensure it is appropriately identifying and assessing the burden of any new regulation and minimising the introduction of any unnecessary regulation.
- Exploring new regulatory approaches to minimise the growth in regulatory burden, including ensuring that any new regulation is developed appropriately to minimise the burden on business and the community.
- Ensuring all agencies adopt a customer-focused and coordinated engagement with business, including an enhanced interface and information provision to business where possible to encourage and facilitate investment, complemented by a risk-based approach to business regulation, with a focus on streamlining approval processes and frameworks.

These regulatory reform measures will help deliver a contemporary regulatory framework that will help enhance the competitiveness of Queensland businesses, including those operating or competing in national and international markets, while also supporting longer-term improvements in productivity across all sectors of the economy.

2 Economic performance and outlook

Features

- The coronavirus (COVID-19) pandemic has delivered an unprecedented shock to the global economy, leading to substantial business closures, job losses and declines in economic activity, industrial production and trade across the world. The data indicates that economic outcomes are more favourable where health outcomes are better.
- The pandemic and related restrictions on business and personal activities led to a record 5.9% fall in domestic economic activity in Queensland in the June quarter of 2020. However, this result is relatively favourable compared with the 7.4% fall in national domestic activity and declines in New South Wales (down 8.6%) and Victoria (down 8.5%).
- Importantly, Queensland's success in containing the spread of the virus means the June quarter is now expected to be the lowest point in the COVID-19 economic cycle. The substantial and ongoing relaxation of restrictions across the state, as well as the substantial income support and stimulus provided across all levels of government, facilitated a strong rebound in domestic activity in the September quarter.
- Domestic and external conditions have continued to evolve since the COVID-19 Fiscal and Economic Review (C19-FER) but currently appear to be on different trajectories. Many indicators of Queensland's domestic economy have continued to improve, but the resurgence of COVID-19 cases globally, weaker trading partner growth, and increasing trade and geopolitical tensions mean the global outlook has weakened further and remains the key risk to the state's economic outlook.
- On balance, Queensland's Gross State Product (GSP) is still forecast to return to marginal growth (up ¼%) in 2020-21, unchanged from the C19-FER forecast. However, economic growth is expected to strengthen substantially to 3½% in 2021-22, with ongoing solid growth of around 2¾% in the later years of the forward estimates.
- COVID-19 has also had a substantial impact on the Queensland labour market. Between March and May 2020, seasonally adjusted employment in Queensland fell by 205,400 persons (or 8.0%), the largest two-month decline on record.
- However, reflecting the ongoing recovery of the state's domestic economy, labour market conditions have improved substantially since May, with employment rebounding by 205,900 persons to be 500 persons above the pre-pandemic level in March 2020.
- The latest ABS *Labour Force* survey provided another very strong employment result for Queensland in October 2020 (up 25,300 persons) as well revising up the level of employment in September by 20,200 and August by 16,300 (on top of the previous month's upward revision of 37,900 for August 2020).
- Consequently, the current employment profile (as of October data) is very different from what the state was facing at the time of C19-FER (when July data showed employment still 138,200 below the pre-COVID-19 level in March). In addition to the stronger than expected

recovery in domestic activity in the September quarter, these results help explain the difference in employment forecasts since C19-FER was published in early September.

- In year-average terms, employment is now forecast to rise 1% in 2020-21 (compared with a 3% decline at C19-FER), while in quarterly, seasonally adjusted terms, employment is forecast to rise by 6¾% (around 160,000 persons) through the year to June quarter 2021.
- In quarterly terms, the seasonally adjusted unemployment rate is now expected to have peaked at 7.9% in September quarter 2020, lower than the 9% peak expected in December quarter 2020 at C19-FER.
- The year-average unemployment rate is forecast to average 7½% in 2020-21 (down from 8½% at C19-FER) and improve steadily over coming years, falling to 6½% by 2022-23.

2.1 International conditions

The COVID-19 pandemic provided a shock to the world economy that was unprecedented in its severity over such a short period of time. The global response, which included the introduction of social distancing measures and business shutdowns, led to substantial job losses and declines in economic activity in numerous countries.

Central banks around the world responded by cutting interest rates to near or below zero, and governments globally have provided significant fiscal support to ease the impact on households and businesses. Nevertheless, the International Monetary Fund's (IMF) latest economic growth forecasts show that the global economy is expected to contract 4.4% in 2020, compared with a fall of only 0.1% in 2009 at the height of the Global Financial Crisis.

The global economy appeared to have entered a recovery phase in the September quarter. Goods consumption surged, with retail trade turnover in many economies (including Australia) recovering to be above pre-COVID-19 levels. Global trade in goods had also started to recover in line with this increased demand.

However, substantial risks remain in the global economy and the pace of recovery is uneven and uncertain, as the ongoing extent of virus outbreaks varies significantly across countries.

In China, the economic recovery is well underway after successfully containing the spread of the virus and restrictions on activity having largely been removed. Recent data indicates the Chinese economy is growing, led by significant property and infrastructure investment, while China's exports have recovered as global economic activity has picked up. The IMF forecasts that China's economy will grow by 1.9% in 2020 and 8.2% in 2021.

In contrast, the United States and various countries throughout Europe have experienced significant resurgences of the virus as they enter their winter months. Many European countries (including the United Kingdom) have responded by re-imposing full or partial lockdowns that are likely to substantially impact the timing and extent of recovery in these economies.

The economic recoveries in several of Queensland's major trading partners, including India and Japan, have slowed due to persistently elevated COVID-19 cases.

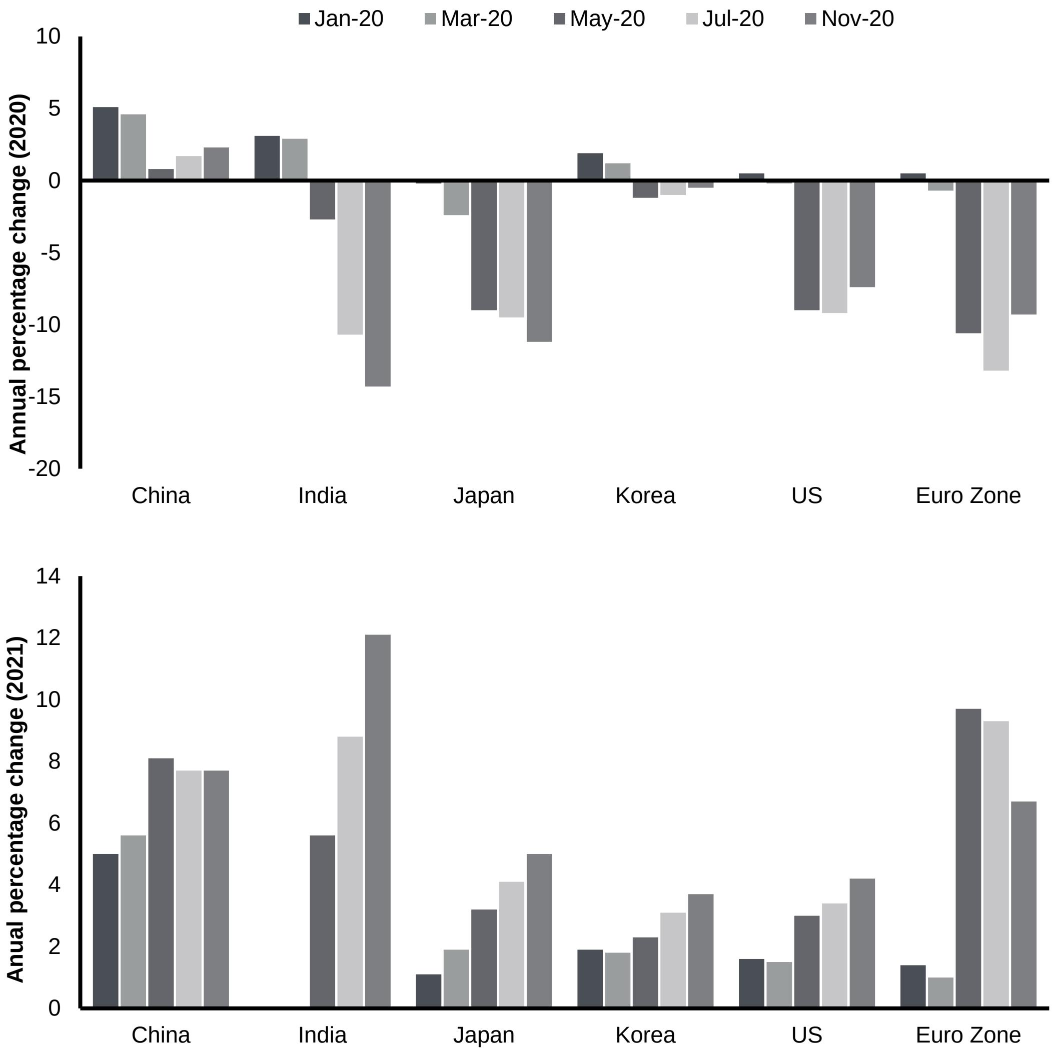
Despite the recent increase in COVID-19 cases in many countries, there has been positive news on the development of a vaccine. Recent medical trials have indicated an effective vaccine could potentially be approved in late 2020, with widespread availability of the vaccine possible in 2021.The logistics of a large scale roll out of these vaccines is unclear, both in the physical delivery benefits of the product and vaccination rates sufficient to provide health and economic benefits.

In addition to the impacts of COVID-19, geopolitical and trade tensions between various countries remain a key risk to the global economy. In particular, trade tensions between the United States and China, which were a significant hindrance to global trade flows pre-COVID-19, continue to linger despite the two countries entering a Phase 1 trade agreement in early 2020. The implications of the outcomes of the November 2020 Presidential Election in the United States on trade will become clearer over time.

Notwithstanding the recent signing of the Regional Comprehensive Economic Partnership, trade disputes also remain elsewhere around the globe, including between the United Kingdom and the European Union, and also between China and numerous other countries, including Australia.

Reflecting a combination of these factors, industrial production forecasts for Queensland's major trading partners have been downgraded throughout 2020 (Chart 2.1), thereby lowering demand, and consequently prices, for several of Queensland's key commodity exports.

Chart 2.1 Industrial production forecasts for Queensland's major trading partners for 2020 and 2021, by edition[1]



Note:

1. Forecasts for India were not available in the January 2020 and March 2020 editions of the consensus forecast

Source: Consensus Economics, various editions in 2020.

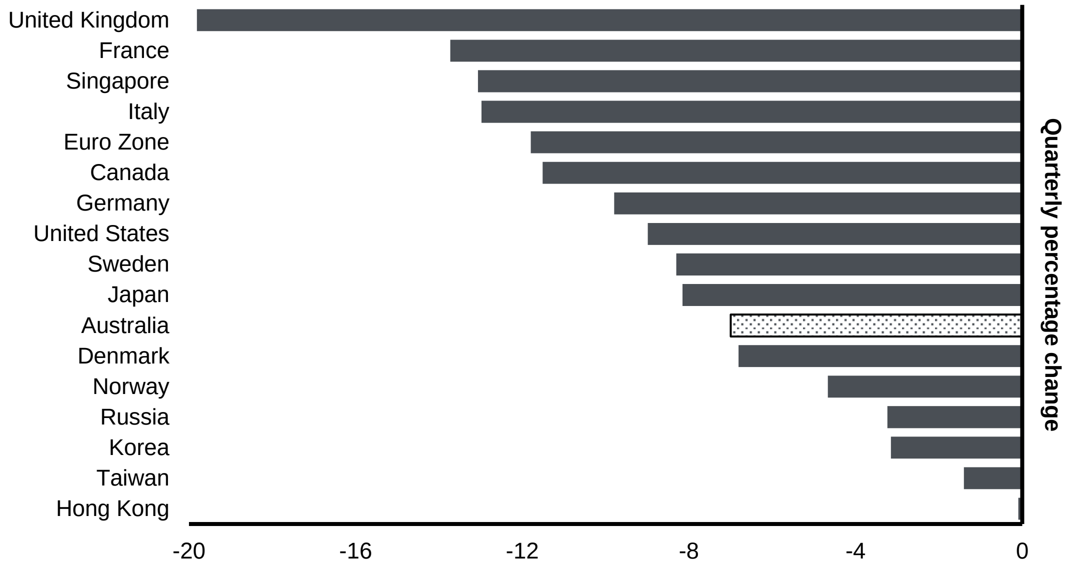
2.2 National conditions

Despite Australia's relative success in containing the spread of COVID-19, the global pandemic continues to impact substantially on the national economy. The global recession, international travel restrictions and national lockdown in April and May severely impacted economic activity.

Following a decline of 0.3% in the bushfire-affected March quarter, GDP contracted 7.0% in the June quarter, with Australia entering its first official recession in almost 30 years.

While this 7.0% quarterly decline in Australian GDP dwarfed the previous record of -2.0% in June quarter 1974, it was relatively modest when compared with many economies around the globe (Chart 2.2). Importantly, many of the countries that had relative success in containing the spread of the virus (such as Australia, Hong-Kong, Taiwan and Korea) also experienced a smaller decline in economic output than those that experienced more widespread outbreaks (such as the UK, Italy, France and the USA).

Chart 2.2 International comparison of June quarter 2020 GDP falls[1]



Note:

1. Constant prices, quarterly, seasonally adjusted.

Source: Datastream.

Subsequent reductions in the spread of COVID-19 have allowed a significant easing of restrictions across much of the country, and the national economy is expected to have returned to growth in September quarter 2020 and to continue to recover into 2021 as restrictions are further eased.

Despite second wave related lockdowns in Victoria, the improved outlook reflects a stronger than expected pick-up in activity and jobs in other jurisdictions in September quarter 2020.

Australian Treasury forecasts national GDP to contract 1½% in 2020-21 (upgraded from a fall of 2½% forecast in the Australian Government's July *Economic and Fiscal Update*), before rebounding to 4¾% growth in 2021-22. Growth is then expected to moderate to 2¾% in 2022-23 and 3% in 2023-24 (assuming the economy moves back towards its potential output level).

A recovery in employment is expected to see the national unemployment rate peak at 8% in the December quarter, before easing to 7¼% by June quarter 2021 and 6½% by June quarter 2022.

2.3 Key assumptions

Key assumptions underpinning the forecasts for the Queensland economy include:

- The ongoing low number of active COVID-19 cases means a substantial second wave of the virus in Queensland is not factored into the forecasts. The unwinding of virus restrictions is expected to enter Stage 6 by the end of 2020 and remain at that level in 2021.
- Interstate borders are not expected to fully re-open until late 2020, while international border closures are expected to remain in place for longer, until at least the latter half of 2021. This assumption on international borders is consistent with the approach taken in the Commonwealth 2020-21 Budget released in October 2020.
- An effective vaccine is not expected to be widely available until late 2021.
- The Reserve Bank of Australia (RBA) is assumed to keep the cash rate at very low levels in the near-term, before starting to gradually increase monetary policy settings towards the end of the forecast period.
- The A$ is assumed to average around $US0.72 over the forward estimates.
- Oil production cuts by global producers are expected to continue to underpin oil prices, with the Brent crude oil price expected to increase gradually from US$43/barrel (bbl) in September quarter 2020 to US$60/bbl by mid-2023, as both oil demand and supply recover.
- According to the Bureau of Meteorology, the present La Niña weather pattern is likely to continue until at least the end of summer 2020-21, with the expected improvement in seasonal conditions typically associated with above average rainfall.
- Australia’s trade arrangements with China are expected to normalise in 2021-22.

2.4 Queensland conditions and outlook

The global pandemic saw falls in domestic economic activity in Queensland of 0.3% and 5.9% in the March and June quarters of 2020, respectively. Consistent with trends globally, during the height of the lockdown in the June quarter, the jurisdictions that were most successful in containing the spread of the virus generally suffered comparatively less economic impact, with Queensland’s 5.9% decline in state final demand well below the national average of 7.4% and the declines in New South Wales (down 8.6%) and Victoria (down 8.5%).

Further, substantial income support and stimulus measures across all levels of government, combined with the opening up of the internal Queensland economy, has facilitated a solid recovery in domestic activity in the September quarter. As a result, the June quarter is now expected to be the lowest point in the COVID-19 economic cycle.

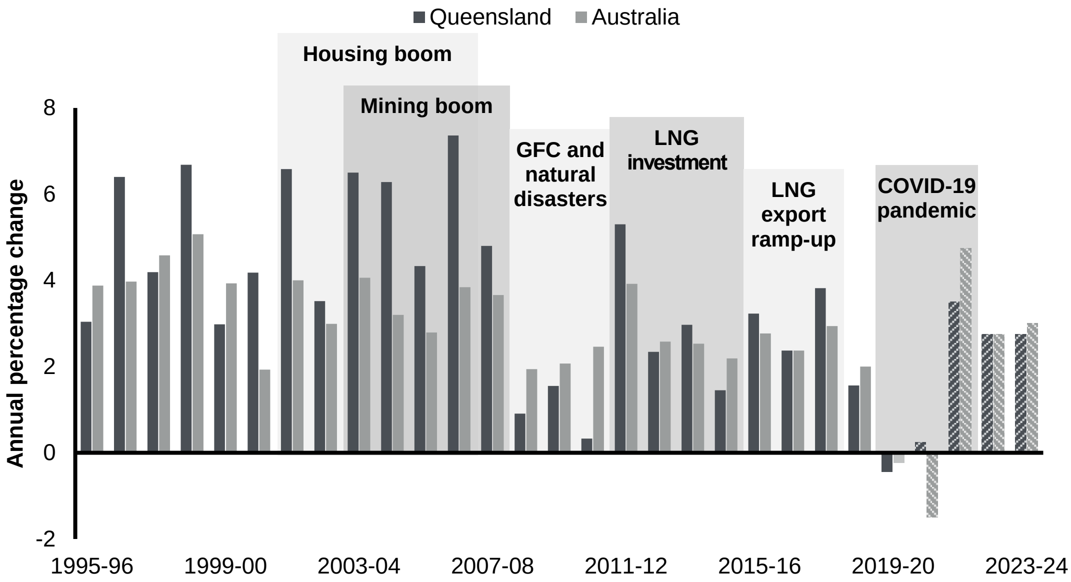
Offsetting the improvement in the domestic economy, a resurgence of virus cases globally, weaker trading partner growth and increasing trade and geopolitical tensions mean the global outlook is more uncertain and expected impacts on Queensland's trade sector have increased.

On balance, GSP is forecast to rise marginally (¼%) in 2020-21, unchanged from the C19-FER forecast. Assuming no further substantial outbreaks of the virus in Queensland, GSP growth is expected to strengthen to 3½% in 2021-22 and then projected to return to its longer-run growth potential of around 2¾% in the later years of the forward estimates.

In comparison, Australian Treasury forecasts national GDP to decline 1½% in 2020-21, before rebounding by 4¾% in 2021-22 off this lower base (Chart 2.3).

Given the economic impact of COVID-19 is likely to be concentrated in 2020, calendar year estimates provide a clearer indication of economic trends. After an unprecedented 2¾% decline in 2020, GSP should rebound to grow by 3% in 2021 and then grow a further 3¼% in 2022.

Chart 2.3 Economic growth[1], Queensland and Australia



Note:

1. Chain volume measure (CVM), 2017-18 reference year, 2020-21 and 2021-22 are forecasts while 2022-23 and 2023-24 are projections.

Sources: ABS National Accounts, Australian Treasury and Queensland Treasury.

In terms of labour market outcomes, the strong recovery in the first four months of 2020-21, substantial upgrades to historical ABS employment estimates and an improved outlook for domestic activity implies year-average employment is now expected to rise 1% in 2020-21 (compared with -3% at C19-FER).

In quarterly terms (seasonally adjusted), the unemployment rate is now expected to have peaked at 7.9% in September quarter 2020, lower than the 9% expected in December quarter 2020 at C19-FER.

The unemployment rate is now forecast to average 7½% in 2020-21 (down from 8½% at C19-FER) and then steadily improve over coming years to 6½% by 2022-23.

Table 2.1 Queensland economic forecasts/projections[1]

	Actuals		Forecasts		Projections	
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Gross state product[2]	**1.6**	**-0.4**	**¼**	**3½**	**2¾**	**2¾**
Nominal gross state product	5	-1.2	-3	6¼	4¼	5
Employment[3]	1.4	0.5	1	2¼	2	2
Unemployment rate[4]	6.1	6.4	7½	7	6½	6½
Inflation[3]	1.6	1.2	1¼	1½	1¾	2
Wage Price Index[3]	2.3	1.9	1¼	1½	2	2¼
Population[3]	1.7	1½	1	1	1¼	1½

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. CVM, 2017-18 reference year. 2019-20 GSP outcome is a preliminary estimate and may be revised in the September quarter 2020 *Queensland State Accounts*.
3. Annual percentage change, year-average.
4. Per cent, year-average.

Sources: ABS National, State and Territory Population, Labour Force, Wage Price Index, Consumer Price Index and Queensland Treasury.

Household consumption

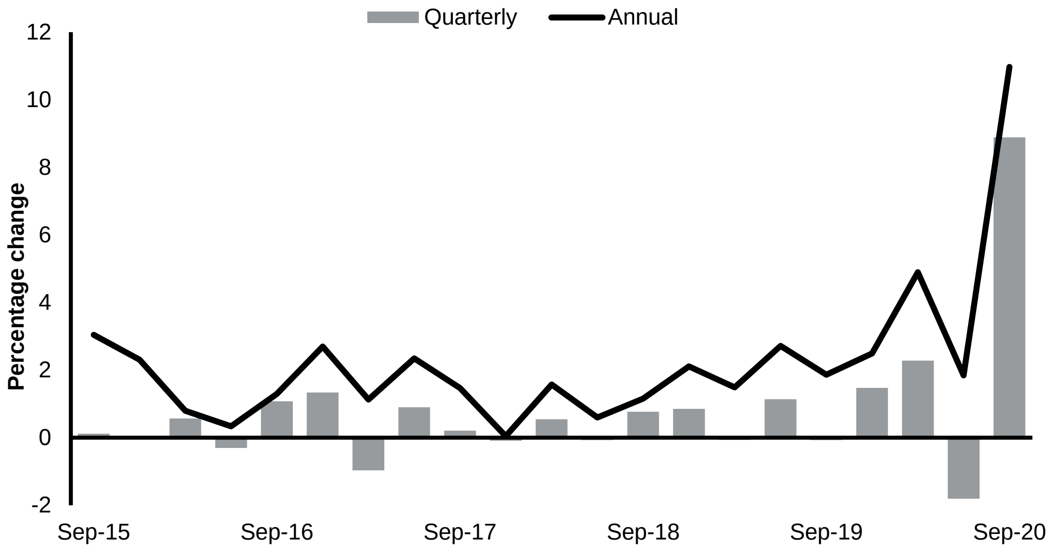
Modest real income growth and a challenging external environment weighed on consumer spending growth in Queensland prior to COVID-19. These trends persisted in the first half of 2019-20, before the pandemic drastically disrupted spending patterns and led to an aggregate 9.3% fall in household consumption across the March and June quarters of 2020.

Despite employment, hours worked and wage income all falling substantially in the June quarter, significant government assistance and income support, early access to superannuation and lower interest rates have underpinned household disposable incomes. However, with spending constrained by virus lockdowns and consumers exercising a greater degree of caution, savings have also increased dramatically, with the national household saving ratio surging from 6.0% in March quarter 2020 to 19.8% in the June quarter.

These boosts to household income, along with the gradual unwinding of virus restrictions in Queensland since May, have driven a significant rebound in household spending in the September quarter (Chart 2.4). Consumer spending patterns will likely normalise from December quarter onward, with consumption levels expected to return to March quarter 2020 levels by March quarter 2021.

However, only relatively modest ongoing growth in consumption is expected in 2021-22 and beyond, in line with the gradual recovery and ongoing challenges in labour market conditions including subdued wages growth, and with major income support measures assumed to have been progressively unwound by that time.

Chart 2.4 Real retail turnover[1], Queensland



Note:

1. Chain volume measure, quarterly, seasonally adjusted.

Source: ABS Retail Trade.

Dwelling investment

Driven by renovation activity, dwelling investment in Queensland showed some tentative signs of a recovery ahead of COVID-19, growing by 3.0% in March quarter 2020. However, the pandemic and related restrictions led to a fall of 7.0% in dwelling investment in June quarter 2020.

Activity in the dwelling sector was initially impacted by social distancing and business restrictions, but the crisis subsequently impacted more broadly by eroding confidence and demand from potential interstate and overseas buyers. However, as restrictions have been eased, there has been a material improvement across a range of indicators in the housing market.

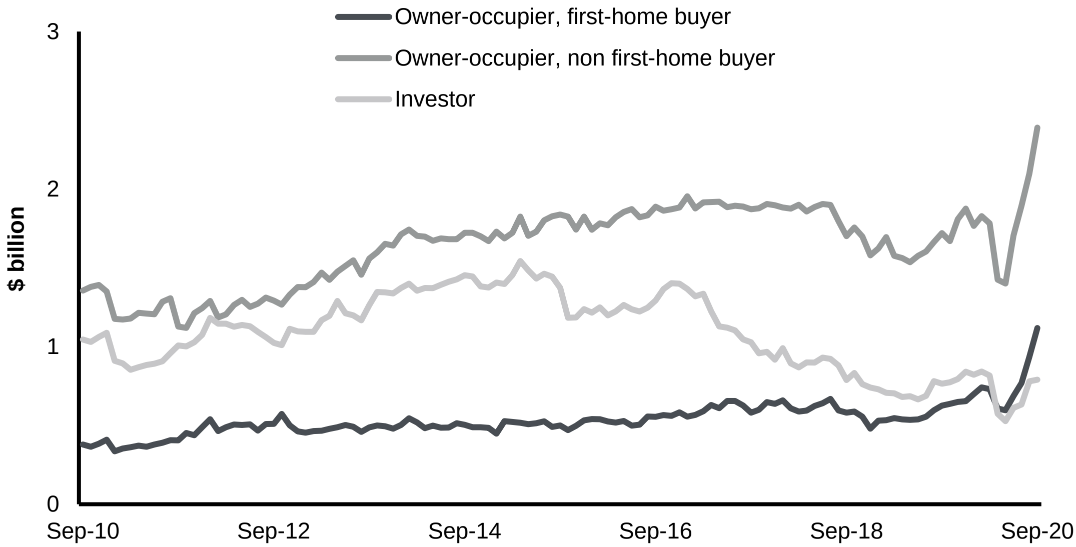
While approvals of new houses fell sharply in May and June 2020, they rebounded strongly from July onwards to be higher than their pre-pandemic level. Further, despite falling sharply in April at the height of the pandemic, finance commitments have increased strongly since May, with loan commitments for owner-occupiers rising well above their pre-pandemic level in March 2020. They are now at their highest level since the inception of the series in July 2002 (Chart 2.5).

Record low interest rates (and firm indications from the RBA that they will stay low for an extended period), along with generous government incentives for new construction, are also supporting this strong rebound in key components of dwelling investment.

Measures such as the State Government's re-affirmed commitment to the $15,000 First Home Owners Grants program and an additional $5,000 Regional Home Building Boost Grant, along with the Australian Government's First Home Loan Deposit Scheme and HomeBuilder grant, are expected to help support residential construction activity.

While these indicators point to strong potential upside risk to the outlook, the flow through impacts from these improvements in the established housing market on new dwelling construction will take some time to be realised. As a result, while the outlook for dwelling investment has improved since C19-FER, activity is still expected to fall modestly in 2020-21, before recovering by a similar amount in 2021-22.

Chart 2.5 Value of new loan commitments to households[1], Queensland



Note:

1. Nominal, monthly, seasonally adjusted, reflects loans for new and existing properties (but excludes refinancing).

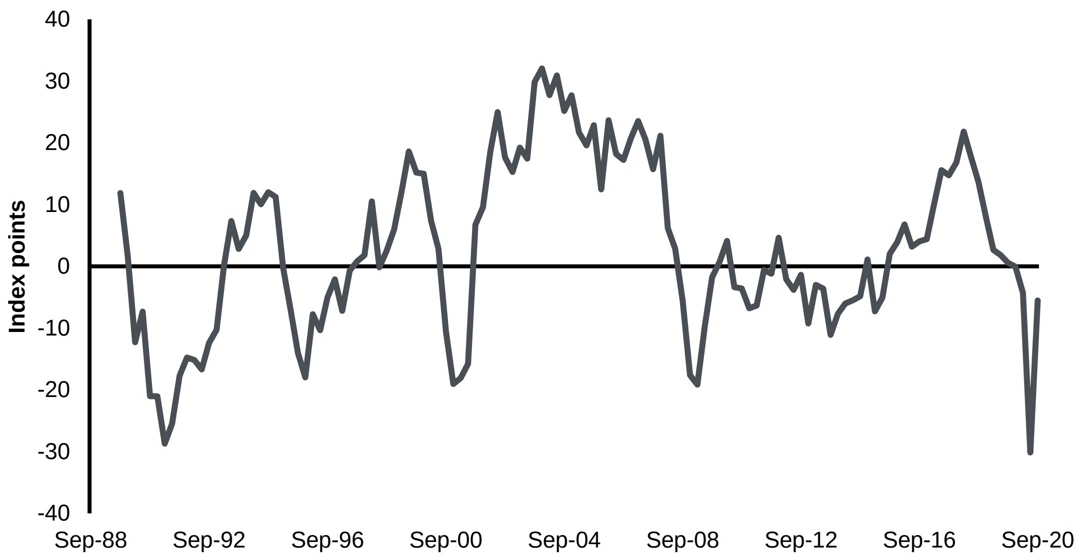
Source: ABS Lending Indicators.

Business investment

The onset of the COVID-19 pandemic in the first half of 2020 saw a marked deterioration in business confidence and conditions. This was especially the case during the March and April lockdown period and business conditions in the June quarter fell to levels last seen during the Global Financial Crisis and the early 1990s recession.

Since that time, success in controlling the virus in Queensland, and the resulting easing of many social distancing restrictions, has led to an improvement in business confidence and overall economic activity, although both remain below their long-term averages (Chart 2.6).

Chart 2.6 Business Conditions, Queensland



Source: NAB Quarterly Business Survey, September quarter 2020, seasonally adjusted by Queensland Treasury.

Importantly, there is generally a lag between changes in business confidence and investment decisions and actual investment spending, particularly for larger long-term building and construction projects. Therefore, notwithstanding the recent recovery in business confidence, business investment is still expected to continue to fall in the near term before recovering.

The value of private non-residential building approvals, a leading indicator of **non-residential building** activity, fell 21.3% in the September quarter compared with the previous quarter. This decline in the approvals pipeline is expected to be reflected in lower building activity in late 2020 and early 2021.

The near-term outlook for **engineering construction** is also clouded by uncertainty, including the ongoing risks to the global outlook. Latest data for private sector engineering commencements recorded a seasonally adjusted decline of 5% in the June quarter. Similarly, continuing uncertainty and a below average level of capacity utilisation (reflecting the reduced demand as a result of the crisis) is expected to see **machinery and equipment** investment decline.

Business investment in Queensland is expected to pick-up from 2021-22. A recovery in demand from the domestic and global economies, combined with an expected reopening of international borders in late 2021 and ongoing low interest rates, will boost business confidence to invest.

Public final demand

Public final demand has grown strongly in recent years, supported by a range of initiatives, including the National Disability Insurance Scheme, substantial investment in roads and the Cross River Rail project. Ongoing expenditure in these areas, along with the Queensland Government's broader $56.031 billion capital works program over the four years to 2023-24, will support further growth in public final demand.

Public final demand is likely to have also been supported by increased health spending due to the COVID-19 pandemic, while at both the state and national level, an unprecedented level of fiscal stimulus has been provided. The Queensland public sector's contribution to growth is especially strong in 2019-20 and 2020-21, with strong spending growth supporting the economy, while private final demand is impacted by pandemic-led declines in business conditions.

Overseas exports and imports

Queensland's overseas exports of goods and services are forecast to fall by 11% in 2020-21 before rebounding by 9¾% in 2021-22.

The global recession caused by COVID-19 has lowered demand for Queensland's key exports, particularly coal and LNG, while travel restrictions have severely impacted Queensland's international tourism exports and are expected to limit international student arrivals in 2021.

Increased rainfall in the summer of 2020-21 is expected to support production and exports of crops. However, this is expected to be more than offset by a decline in beef exports as farmers seek to rebuild their depleted herds in light of the more favourable weather conditions.

However, as the global economy gradually recovers, Queensland's overseas exports are expected to continue to grow across the remainder of the forward estimates period.

Coal

The volume of Queensland's coal exports fell 3.1% in 2019-20, primarily driven by a COVID-19-induced decline in demand in June quarter 2020, with exports 9.8% lower over the year to the June quarter.

This weakness in demand caused benchmark spot prices for hard coking coal and thermal coal to fall 24.5% and 33.4%, respectively, from the beginning of the year to their respective lows in August and September. Coal prices subsequently showed signs of recovery, however media and market reports of restrictions on Australian coal imports by Chinese authorities from the start of October has seen coal prices more recently fall back to around their respective lows for the year.

In the first quarter of 2020-21, the volume of Queensland's coal exports was 8.3 million tonnes lower than in the corresponding quarter in 2019-20. This decline was primarily concentrated in thermal coal exports, which fell by 7.3 million tonnes.

Reflecting the reduced demand in the first quarter, the continued impacts of COVID-19 and the uncertainty surrounding Australian access to the Chinese market, Queensland's coal exports are forecast to fall 8% in 2020-21. However, coal exports are expected to recover by 9¾% in 2021-22 as the global economy begins to recover and demand for coal rebounds.

LNG

The volume of Queensland's LNG exports grew by 2.5% in 2019-20, as new developments boosted gas supply into the east coast domestic market, thereby making more gas available for export. However, the nominal value of Queensland's LNG exports fell 1.1% due to lower prices.

LNG export prices are expected to fall significantly in the second half of 2020, due to the sharp fall in global oil prices in March 2020 (with LNG contract prices linked to oil prices, but with a lag of several months). This is expected to substantially reduce LNG export values.

The reduced global demand for energy substantially reduced oil prices following the falls in 2019 due to the US-China trade tensions. Global oil production cuts have seen the Brent crude oil price rise from a low of US$5.6/bbl on 21 April 2020 to around US$40/bbl from June 2020 onwards, but prices remain well below the level of recent years.

Queensland's LNG volumes have been only modestly affected by the pandemic to date, with export volumes down 4.1% over the year to September quarter 2020, due to significant maintenance being undertaken at all three plants. The volume of LNG exports rebounded in October 2020, with export volumes in the month being the highest on record for Queensland.

Metals

Queensland's metals exports have not been materially impacted by COVID-19. New or expanded production capacity was largely complete by late 2019 and the modest expansion in coming years should be largely offset by continued ore grade decline at several large operations. As a result, exports are forecast to remain around their current level over the forecast period.

Agriculture

The volume of agriculture exports fell 8.0% in 2019-20 as dry conditions persisted across most of the state, reducing the area of crops planted. Notwithstanding improved growing conditions, agriculture exports are forecast to fall a further 6% in 2020-21, driven by a steep decline in beef exports more than offsetting increased crop exports.

Agriculture exports are expected to return to growth in 2021-22, primarily supported by cotton and crop production. Beef production and exports are expected to return to normal levels from 2022-23, providing further growth to agriculture exports over the medium term.

Despite improved rainfall and cattle production conditions, slaughter rates remained relatively high by mid-2020, as a result of elevated cattle prices incentivising farmers to further destock. However, slaughter rates in Queensland have declined so far in 2020-21, with above average winter and spring rainfall seeing farmers starting to rebuild their depleted herds.

The improved rainfall outlook will see herd rebuilding further intensify, constraining beef production and exports until 2021-22, before a return to normal seasonal conditions is expected to see beef exports gradually return to growth.

The outcome for the 2020 harvest season suggests sugar content levels and yields are below levels recorded in the previous years. This is expected to constrain sugar production and exports in 2020-21. Sugar exports are expected to return to growth in 2021-22 due to the more favourable conditions across most cane-growing regions. Despite this, production is anticipated to increase only marginally in the medium term, reflecting limited capacity to increase the area of plantation.

Cotton exports are forecast to decline in 2020-21, due to the season's crop having already been planted before growing conditions improved. However, from 2021-22 cotton exports are forecast to increase substantially as improved rainfall and water storage support production. Reflecting the improved weather conditions, exports of other crops are expected to significantly increase in 2020-21, driven by increased production of wheat, chickpeas and grain sorghum.

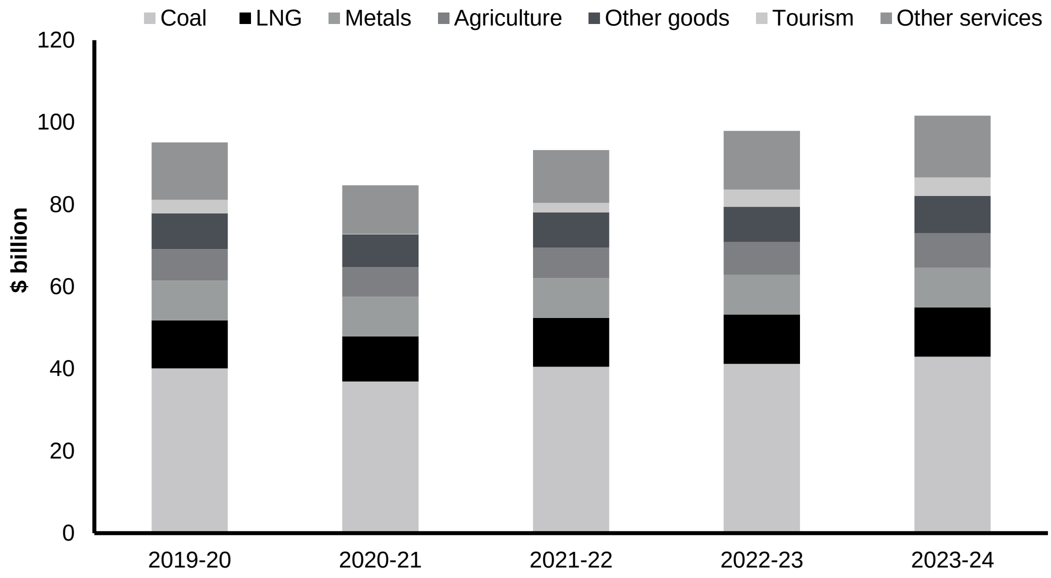
Services exports

International tourist arrivals have fallen to negligible levels due to international border closures. This is expected to remain unchanged until late 2021 when the reopening of international borders should produce a gradual resumption of international travel and tourism.

In contrast to tourism, the initial impact of border closures on education exports was relatively modest, with many international students for 2020 having already arrived in Australia ahead of the border closures in late March 2020. The exception was for Chinese students, reflecting the earlier closure of international borders to travellers from China in January 2020.

With international borders expected to remain closed in early 2021, international students graduating at the end of 2020 will not be replaced to the same extent by new enrolments in early 2021, leading to a substantial fall in student numbers and therefore education exports. Therefore, overall services exports are expected to fall further over the coming quarters before starting to recover as international borders start to reopen.

Chart 2.7 Queensland's overseas exports[1]



Note:

1. CVM, 2017-18 reference year, 2020-21 onwards are forecasts.

Source: Queensland Treasury.

Imports

The significant decline in economic activity as a result of the virus is expected to flow through to lower goods imports in the first half of 2020-21. Goods imports (overseas and interstate) are forecast to fall by 5% in 2020-21 before recovering by 4% in 2021-22 as the domestic economy recovers and demand for imports increases.

Labour market

Reflecting the impacts of COVID-19, between March and May 2020, seasonally adjusted employment in Queensland fell by 205,400 persons (or 8.0%), the largest decline on record.

The decline would likely have been even larger if not for the JobKeeper program keeping people notionally employed. Overall, the number of hours worked in Queensland fell by 9.6% between March and May.

At the same time, the participation rate dropped from 65.5% in March to 61.6% in May, equating to 158,200 persons leaving the labour force over this period. As a result, the increase in the unemployment rate was likely more subdued than it otherwise would have been, rising from 5.6% in March to 7.8% in May 2020.

Since May, there has been a rapid and strong recovery in the Queensland labour market. Employment increased by 205,900 persons between May and October 2020, to be 500 persons above the pre-COVID-19 level in March. Similarly, the monthly number of hours worked in Queensland rebounded between May and October, to be 0.4% above pre-COVID-19 levels.

Queensland is the only state where employment and hours worked have rebounded to above their pre-COVID-19 levels, highlighting the extent of the recovery in the state's labour market following the easing of restrictions due to success in containing the virus.

The participation rate has recovered strongly to 66.6% in October, 1.0 percentage point above its pre-COVID-19 rate in March 2020. This strong rebound in participation has limited the decline in the unemployment rate, which has fallen from a high of 8.8% in July to 7.7% in October.

Looking forward, Queensland's labour market is forecast to continue to recover, in line with the ongoing strengthening of domestic economic activity.

The latest ABS *Labour Force* survey provided another very strong employment result for Queensland in October 2020 (up 25,300 persons) as well revising up the level of employment in September by 20,200 and August by 16,300 (on top of the previous month's upward revision of 37,900 for August 2020).

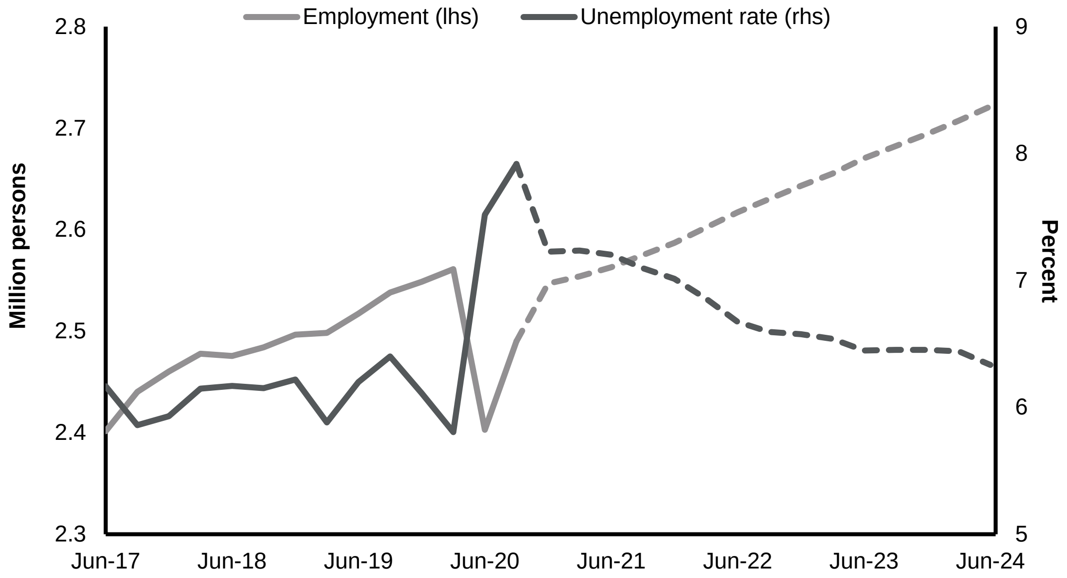
Consequently, the current employment profile (as of October data) is very different from what the state was facing at the time of C19-FER (when July data showed employment still 138,200 below the pre-COVID-19 level in March). In addition to the stronger than expected recovery in domestic activity in the September quarter, these results help explain the dramatic difference in employment forecasts since C19-FER was published in early September.

In year-average terms employment is now forecast to rise 1% in 2020-21 (compared with a 3% decline at C19-FER), while in quarterly, seasonally adjusted terms, employment is forecast to rise by 6¾% (around 160,000 persons) through the year to June quarter 2021.

From 2021-22 to 2023-24, employment is expected to continue to grow by a solid 2% to 2¼% per annum, as the economy continues to recover.

The unemployment rate is expected to have peaked (in quarterly terms) at 7.9% in September quarter 2020 (Chart 2.8), down from the previous C19-FER forecast of 9% in December quarter 2020, before improving steadily over the forecast period to be 6½% by 2023-24.

Chart 2.8 Employment[1] and unemployment rate[2], Queensland



Notes:
1. Seasonally adjusted, quarterly, million persons.
2. Seasonally adjusted, quarterly, percent.

Sources: ABS Labour Force and Queensland Treasury.

Box 2.1 Participation and unemployment rate trends

People's perceptions of their employment prospects (i.e. their perceived chances of getting a job) strongly influence whether they participate in the labour force and actively look for work.

For this reason, strong labour force growth and a high participation rate is generally considered a strong signal of a healthy economy and labour market, as it reflects the confidence of individuals in seeking employment opportunities, often referred to as the 'encouraged worker' effect.

This can include people entering the labour force for the first time and people re-entering the labour force after a period of non-participation. A key driver of high labour force growth can be population growth, including through strong positive net overseas and interstate migration, which often coincides with periods of strong economic growth in Queensland, which can attract people to relocate to Queensland in pursuit of the better employment opportunities.

As such, periods of strong jobs growth in Queensland have at times encouraged many jobseekers into the labour force, with most of the increase in employment having flowed through to a higher participation rate (i.e. the proportion of the civilian working age population who are working or actively looking for work), thereby limiting any reduction in the unemployment rate.

A clear example of this impact was the surge in jobs growth in the 12 months to October 2017, with Queensland recording a 135,100 gain in seasonally adjusted employment over the year. However, this increase was more than accounted for by a 144,900 person increase in the labour force, resulting in the number of unemployed persons rising slightly (up 9,700) over the year.

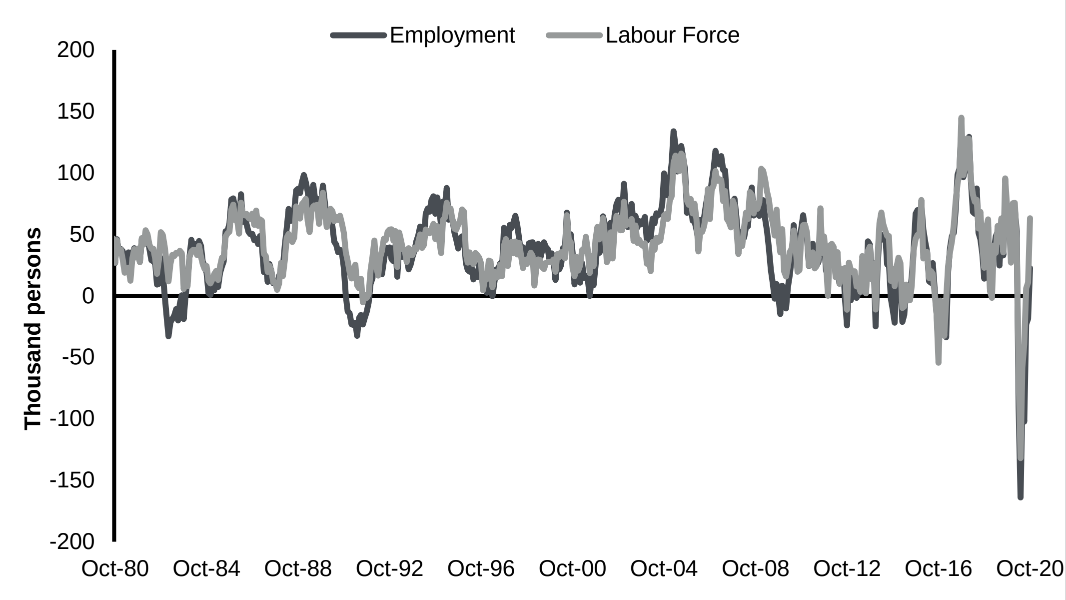
As a result, despite employment rising by an extraordinary 5.8% in the 12-month period, the unemployment rate still rose marginally, reflecting the sharp rise in the participation rate (from 63.5% to 66.1%) over the same period as relatively more people were encouraged to enter the labour force.

More recently, the strong recovery in Queensland's labour market from the COVID-19 shutdowns in April has seen a similar phenomenon.

Despite employment recovering by an exceptional 205,900 persons since May 2020 as the economy recovers, the state's unemployment rate remains elevated compared with the 5.6% before COVID-19, partly reflecting the participation rate increasing by one percentage point to 66.6% in October.

Chart 2.9 highlights the extent to which, in recent times, labour force growth in Queensland has moved in line with employment growth, thereby often limiting changes in the unemployment rate.

Chart 2.9 Growth in Employment and the Labour Force, Queensland[1]



Note:
1. Monthly, annual difference, seasonally adjusted

Source: ABS Labour Force Survey

These trends highlight that, while the unemployment rate is one measure of labour market conditions, the strength of an economy is generally reflected in the strength of jobs growth.

Historically, there have been significant variances between jurisdictions in terms of various labour market outcomes, reflecting a range of structural and demographic factors. In particular, Queensland has generally tended to have a higher unemployment rate than the national average over many decades.

Since the start of the ABS monthly Labour Force series in 1978, Queensland's seasonally adjusted monthly unemployment rate has been above the national rate for 75% of the months. On average, across those 42 years, Queensland's unemployment rate has been around 0.5 percentage points higher than the national rate.

Significantly, over this 42-year period, Queensland has recorded a higher monthly participation rate in 72% of the months, with the state's participation rate, on average, being 0.7 percentage points higher than the national rate.

While each jurisdiction's labour market contains its own unique characteristics, Queensland's generally higher unemployment rate over time reflects a range of factors, including differences in labour force growth and participation, including higher youth participation, as well as differences in industry structure, demographic characteristics and Queensland's more geographically dispersed population compared with other jurisdictions.

Regional labour markets

Queensland's major tourism regions of the Gold Coast, Sunshine Coast and Cairns were the hardest hit by the impacts of COVID-19. Between the weeks ending 14 March and 18 April, the number of employee jobs fell by more than 10% in all three regions, the most of any regions in Queensland.

Similarly, between March and May 2020, the proportion of the civilian population receiving JobSeeker/Youth Allowance increased by 5.6 percentage points in the Gold Coast, 5.1 percentage points in Cairns and 4.9 percentage points in the Sunshine Coast, also the most of any regions in Queensland.

However, over the period from the weeks ending 18 April to 31 October, conditions in these regions have improved, with the number of employee jobs up 7.3% in Cairns, 6.9% in the Gold Coast and 6.6% in the Sunshine Coast. Similarly, the proportion of the civilian population receiving JobSeeker/Youth Allowance fell by 1.9 percentage points in Cairns, 1.8 percentage points in the Sunshine Coast, and 1.6 percentage points in the Gold Coast between May and October 2020.

Despite these substantial improvements in labour market conditions in these regions in recent months, all three regions remain among the most affected in Queensland by the COVID-19 crisis.

The state's other regional economies have been relatively less affected by COVID-19 than those regions more exposed to tourism, with smaller declines in the number of employee jobs and smaller increases in the proportion of the population receiving JobSeeker/Youth Allowance. However, all the state's regional labour markets were still significantly affected by the initial emergency health restrictions and other impacts of COVID-19 but have been recovering strongly as the state's domestic economy recovers, with employment in some regions also being buoyed by increased intra-state tourism activity as domestic restrictions have eased.

Price and wages

Brisbane's consumer price index (CPI) rose 1.2% in 2019-20, the slowest rate of growth in more than 20 years. The pandemic-driven falls in the prices of child care services, pre-school, automotive fuel and electricity all contributed significantly to the Brisbane CPI falling a record 2.2% in June quarter 2020. This resulted in an annual CPI decline of 1.0%, the first annual fall in Brisbane's CPI since the inception of the series in the 1940s.

In addition to the COVID-19-related price declines, longer term trends in some components continued to impact CPI growth in the June quarter. In particular, falling prices for new dwelling costs and rents have weighed on CPI growth in recent quarters.

Nominal wage growth slowed to 1.9% in 2019-20, down from 2.3% in 2018-19. With excess spare capacity in the Queensland labour market expected to remain for some time, there is likely to be little upward pressure on wages, and subsequently CPI, over the medium-term.

These trends are expected to result in only modest CPI growth of 1¼% in 2020-21, with inflation to then gradually increase over subsequent years as the economy continues to recover.

Population

Queensland's population growth in 2019-20 and 2020-21 is expected to be significantly impacted by the international travel restrictions implemented to combat the spread of COVID-19.

The largest impacts to net overseas migration are expected during 2020-21, particularly in March quarter 2021 due to the expected large drop in international student arrivals. International travel restrictions are expected to remain in place long after domestic social distancing restrictions have been eased.

Early interstate migration data show minimal impact of the crisis and related border closures on Queensland's net interstate migration, with departures falling by more than arrivals. However, the resulting relaxation of interstate border closures should help support interstate migration returning to more normal levels over time.

Reflecting the impacts of the crisis, overall population growth is now expected to slow to 1½% in 2019-20 and slow further to 1% in both 2020-21 and 2021-22, before strengthening to 1¼% in 2022-23 and 1½% in 2023-24.

2.5 Risks to the outlook

The key risk to Queensland's economic outlook is the global evolution of the COVID-19 pandemic. While Australia has been relatively successful in supressing the pandemic, the risk of further waves remains until a successful vaccine is produced and distributed.

While economic activity has already started to recover in many areas of the economy, those firms focused upon international tourism and international education exports continue to be impacted substantially by international border closures. Any delay in a successful vaccine development, manufacturing and distribution risks further impeding the re-opening of international borders and could cause additional damage to the economic prospects in those key sectors.

Internationally, several major economies including the USA, UK and Europe are experiencing an upsurge in COVID-19 incidence. A number of these countries have started to re-introduce full or partial lock downs. This risks a further downturn in the already severe global economic recession, further depressing demand for Queensland's exports and commodity prices, and ultimately flowing through to reduced economic activity and with flow on impacts to state revenues.

In addition to the pandemic, ongoing international trade tensions, including reported trade tensions between China and Australia, remain a substantial risk. Any further escalation of these tensions poses a risk to key exports.

Both domestically and internationally, governments have greatly expanded fiscal and monetary support measures. As the economy recovers, it is appropriate and necessary for all levels of government to wind-back these measures and return to more sustainable fiscal settings and productivity-enhancing reforms to support ongoing economic recovery.

The pace and nature of this ongoing policy adjustment at all levels of government, particularly in terms of major income support and stimulus measures implemented by the Australian Government, pose ongoing risks to the economic outlook.

Asset prices (with flow on impacts on wealth and confidence) have also been supported by historically low interest rates and substantial fiscal policy measures, giving rise to a degree of fragility in financial markets.

Therefore, any increased volatility in financial markets could impact the extent and pace of economic recovery, while the return to normal monetary policy settings over time will need to be carefully managed.

Table 2.2 Queensland economic forecasts[1], by component

	Actuals		Forecasts	
	2018-19	**2019-20**	**2020-21**	**2021-22**
Economic output[2]				
Household consumption	1.9	-0.8	2¼	2½
Dwelling investment	-1.8	-7.7	-5	4¾
New and used	-10.6	-14.9	-6	6
Alterations and additions	13.7	2.5	-4	3¼
Business investment	-7.6	-6.7	-9¾	4¾
Non-dwelling construction	-15.5	-8.1	-8	6¼
Machinery and equipment	5.1	-4.8	-12¼	3
Private final demand	-0.1	-2.0	-½	3
Public final demand	5.2	6.4	6	1
Gross state expenditure	1.0	-0.2	1½	2¾
Overseas goods and services exports	4.5	-3.9	-11	9¾
Overseas and interstate goods imports	3.7	0.4	-5	4
Gross state product	**1.6**	**-0.4**	**¼**	**3½**
Nominal gross state product	5.0	-1.2	-3	6¼
Employment[3]	1.4	0.5	1	2¼
Unemployment rate[4]	6.1	6.4	7½	7
Inflation[5]	1.6	1.2	1¼	1½
Wage Price Index[5]	2.3	1.9	1¼	1½
Population[5]	1.7	1½	1	1

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. CVM, 2017-18 reference year, except nominal GSP. Components not separately reported are other investment (cultivated biological resources, intellectual property products and ownership transfer costs), the balancing item (including interstate goods and services exports, overseas and interstate services imports and inventories) and the statistical discrepancy. 2019-20 GSP outcome is a preliminary estimate, and may be revised in the September quarter 2020 *Queensland State Accounts*.
3. Annual percentage change, year-average. The comparable through-the-year growth rates to the June quarter (seasonally adjusted) are 1.7%, -4.5%, 6¾% and 2% from June 2019 through to June 2022.
4. Per cent, year-average.
5. Annual percentage change, year-average.

Sources: ABS National, State and Territory Population, Labour Force, Wage Price Index, Consumer Price Index and Queensland Treasury.

3 Fiscal strategy and outlook

Features

- The Queensland Government has prioritised its response to the coronavirus (COVID-19) health crisis and economic recovery efforts. Like all jurisdictions, Queensland's fiscal position has been impacted by the COVID-19 pandemic – but a strong response has been necessary to secure strong public health outcomes for Queensland and in doing so position for an earlier economic recovery.
- The impact of the crisis on Queensland's operating position has been significant, with a General Government operating deficit of $5.734 billion expected in 2019-20, peaking in 2020-21 at $8.633 billion. As the economy recovers the operating deficit progressively decreases over the forward estimates. The government is balancing the need to return to surplus with ensuring the recovery of the economy.
- The nature and impact of the pandemic means increased borrowings are unavoidable without austerity measures. Falls in key revenues such as GST, coupled with increased expenditure in response to the pandemic has led to General Government Sector borrowing with QTC rising to an estimated $53.501 billion by 30 June 2021. Despite rising borrowings, Queensland's interest expense, the cost of servicing this debt, is forecast to be around 3.1% of revenue in 2020-21, well below the peak of 4.7% in 2013-14.
- Queensland entered this crisis with a robust fiscal position. The 2019-20 MYFER forecast increasing net operating surpluses across the forward estimates. The strong pre-crisis position allowed the government to respond quickly to the crisis, and to maintain the support necessary to ensure Queensland's economic recovery.
- As the economy strengthens through the recovery phase, revenues will rise, and temporary support measures will be wound back. The budget position will strengthen, and borrowings will stabilise. Once the budget returns to surplus, fiscal buffers will be restored and debt reduced.
- Due to the impact of the pandemic, some fiscal principles are not being met. A new Charter of Fiscal Responsibility will include renewed, longer-term fiscal principles. Progress on development of these principles will be reported in the 2021-22 Budget.

3.1 Context

Global, national and sub-national economies are enduring unprecedented public health and economic impacts from the COVID-19 pandemic. The Queensland Government's strategy for responding to this crisis is to safeguard the health of Queenslanders as the foremost priority, while implementing strategies to help industries and businesses adapt and recover.

Like all governments, significant increases in expenditure has been required for health services and for community and business support to help Queensland through this crisis. Initial fiscal stimulus of more than $7 billion, as outlined in the government's *Unite and Recover:*

Queensland's Economic Recovery Plan, was targeted at short term measures to support demand. The strategy will now transition to measures which support longer-term recovery by enhancing productivity, competitiveness and private sector growth.

Queensland remains committed to its substantial infrastructure investment program, with the largest 4-year capital spend in over a decade of $56.031 billion in the 2020-21 Budget. Infrastructure is a major driver of economic growth and job creation and the government's infrastructure investment commitment gives industry confidence to invest and generate jobs.

Key elements of the government's Economic Recovery Plan and overall economic strategy are set out in Chapter 1.

The decision to prioritise the health crisis response and economic recovery has meant that Queensland's fiscal position has been substantially impacted. However, a strong response to the pandemic was necessary, and Queensland entered this crisis with a robust fiscal position. Prior to the crisis, the government had delivered consecutive years of operating surpluses which has allowed the budget to weather the crisis and be positioned for recovery as the immediate pandemic pressures ease and productivity initiatives take effect. In the current climate, supporting the economy and driving future growth remains the priority.

Risks to the fiscal outlook remain elevated, flowing from risks to the macroeconomic outlook. These risks include another substantial or elevated wave of the pandemic further reducing global demand for Queensland exports, escalating geopolitical tensions and trade disputes hindering global economic recovery, delays in the availability of an effective vaccine, and abrupt unwinding of Australian Government fiscal stimulus measures affecting demand and activity.

3.2 Strategy for fiscal recovery

Queensland's fiscal position has been severely impacted by the pandemic requiring a reset of the fiscal strategy.

The updated fiscal outlook captures the substantial impact of COVID-19 on the Queensland economy, the significant response measures supporting business and households through the recovery and funding for election commitments. The government has committed a package of election commitments totalling $4.3 billion over four years. These measures provide essential support for government service delivery as well as continued resources for COVID-19 support and recovery. These measures are necessary to support the Queensland economy and to protect jobs, but also limit the state's fiscal capacity to respond to future crises. The government remains committed to budget repair, restoring fiscal buffers and stabilising debt but recognises the strategy must ensure the economy first recovers from the pandemic.

The fiscal strategy in the short to medium term emphasises the importance of economic recovery while ensuring spending remains well-targeted and focused on driving competitiveness and productivity. Economic recovery is the key priority which a disciplined approach to fiscal management will position the state well for the future.

The 2020-21 Budget forecasts detail the impacts of recent events and expectations for revenue recovery. Decision making for additional commitments and developments from this point forward will be underpinned by the fiscal strategy:

- Economic recovery will be prioritised over budget repair during the near-term recovery period, after which improved fiscal targets including debt stabilisation will be pursued. Prioritising economic recovery alongside targeted expenditure and capital prioritisation will position Queensland well for fiscal repair.
- As revenues improve, increases will be directed towards economic recovery priorities and then a return to operating surpluses.
- Spending will be maintained to support jobs and the economy during the recovery period, while ensuring expenditure restraint by working to ensure new spending measures are met from the re-prioritisation of existing funding.
- The capital program will be rigorously assessed to ensure planned infrastructure investment meets changing needs and that government is achieving value for money.

3.2.1 Fiscal Principles

Queensland's current fiscal principles aim to provide specific, objective measures for the government to assess the success of its fiscal strategies. Prior to the crisis, the government's fiscal principles underpinned the state's fiscal strategy. The government's current Charter of Fiscal Responsibility detailing six fiscal principles, was tabled in Parliament on 14 June 2016.

Queensland, like other Australian jurisdictions, is prioritising support for economic recovery over existing fiscal targets. Given this, some targets underpinning Queensland's fiscal principles will not be achieved in the short and medium term.

Reporting against the existing fiscal principles will continue but remain under review ahead of the 2021-22 Budget.

The current Fiscal Principle 5 (Targeting full funding of long-term liabilities such as superannuation and WorkCover in accordance with actuarial advice) is a long-standing Queensland Government priority and a key element of Queensland's financial management. Despite the impact of the crisis, commitment to this principle will continue through the economic recovery period, and it will continue to be part of the long-term fiscal strategy.

Fiscal principles

Principle 1 – Target ongoing reductions in Queensland's relative debt burden, as measured by the General Government debt to revenue ratio

The trajectory of the debt burden has shifted significantly due to the impact of COVID-19. The ratio of General Government debt to revenue was 76.6% in 2019-20 and expected to be 108.9% in 2020-21. After 2020-21, the growth in Queensland's General Government debt burden will moderate. Queensland's debt to revenue ratio compares favourably to peer jurisdictions whose debt to revenue measures in 2020-21 are 120% and 156.7%, for NSW and VIC respectively.

In August 2020, the government passed legislation to establish the first of the Queensland Future Funds – the Debt Retirement Fund. The Debt Retirement Fund is a long-term sustainable plan to alleviate the debt burden on future generations of Queenslanders. The purpose is to reduce the State's borrowings. Assets totalling $5.67 billion have been included in the Debt Retirement Fund as at C19-FER for 2020-21. The debt to revenue ratio is estimated to shift from 108.9% to 98.8%.

Principle 2 – Target net operating surpluses that ensure any new capital investment in the General Government Sector is funded primarily through recurrent revenues rather than borrowing.

Having forecast an operating surplus prior to the COVID-19 pandemic, a General Government operating deficit of $8.633 billion is forecast for 2020-21. The size of this deficit is forecast to reduce substantially across the forward estimates to be $1.389 billion by 2023-24.

New capital investment across the period from 2020-21 to 2023-24 will be funded from increased borrowings.

Principle 3 – The capital program will be managed to ensure a consistent flow of works to support jobs and the economy and reduce the risk of backlogs emerging.

The government's infrastructure investment commitment continues to be significant and gives industry confidence to invest and generate jobs.

The budget sees the capital program including purchases of non-financial assets (capital purchases), acquisitions through finance leases, and capital grants expenses will increase to $14.835 billion in 2020-21. In the COVID-19 Fiscal and Economic Review (C19-FER), the government committed to maintaining a $51.8 billion infrastructure investment program. The total capital program over the four years to 2023-24 is $56.031 billion.

Principle 4 – Maintain competitive taxation by ensuring that General Government Sector own-source revenue remains at or below 8.5% as a proportion of nominal gross state product, on average, across the forward estimates.

At 8.3% for 2019-20 and 7.7% for 2020-21, this is lower than typically targeted reflecting revenues being materially affected due to the COVID-19-induced hit to the economy and government's commitment to a range of revenue relief measures to help support Queenslanders.

Principle 5 – Target full funding of long-term liabilities such as superannuation and WorkCover in accordance with actuarial advice

This fiscal principle continues to be a central principle for the government's Charter of Fiscal Responsibility and the associated fiscal strategy and objectives.

Principle 6 – Maintain a sustainable public service by ensuring that overall growth in full-time equivalent (FTE) employees, on average over the forward estimates, does not exceed population growth.

A more subdued rate of population growth in the near term has been brought on by the spread of COVID-19 constraining international and interstate migration to Queensland. Consequently, the average growth in public sector FTEs will exceed population growth. Growth in the health sector continues to be the largest driver of FTE growth. Excluding health and education FTEs, growth in FTEs for the rest of the sector remains lower than population growth.

3.3 Key fiscal aggregates

The key fiscal aggregates for the 2020-21 Budget are outlined in Table 3.1 and are discussed in detail in this chapter.

Table 3.1 Key fiscal aggregates[1]

	2018-19 Outcome $ million	2019-20 MYFER $ million	2019-20 Actual $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
General Government Sector							
Revenue	59,828	59,914	57,764	56,249	60,504	63,394	66,326
Expenses	58,843	59,763	63,498	64,881	64,806	65,874	67,715
Net operating balance	**985**	**151**	**(5,734)**	**(8,633)**	**(4,303)**	**(2,480)**	**(1,389)**
PNFA[2]	5,764	7,223	6,291	7,572	8,136	8,078	7,762
Fiscal balance	(2,207)	(4,068)	(9,158)	(13,440)	(9,085)	(6,647)	(4,370)
Borrowings with QTC	29,468	31,774	37,570	53,501	64,525	73,924	80,653
Leases and similar arrangements[3]	2,612	6,071	6,499	7,565	7,408	7,484	7,768
Securities and derivatives	121	121	198	198	198	198	198
Net debt	(198)	7,030	14,046	25,499	35,511	44,228	50,782
Non-financial Public Sector							
Borrowings with QTC	67,576	70,832	76,464	93,467	104,626	114,217	121,039
Leases and similar arrangements[3]	2,612	6,481	6,991	8,033	7,843	7,884	8,135
Securities and derivatives	720	544	1,505	720	618	567	549
Net debt	34,196	44,123	50,592	63,467	73,770	82,624	88,906

Notes:
1. Numbers may not add due to rounding. Bracketed numbers represent negative amounts.
2. PNFA: Purchases of non-financial assets.
3. Reflects the ‘Leases and similar arrangements’ and ‘Securities and derivatives’ line items in the balance sheet.

3.3.1 Net operating balance

Table 3.2 compares the General Government Sector net operating balance forecasts for the 2019-20 Budget and MYFER with the 2020-21 Budget forecasts.

Table 3.2 General Government Sector - net operating balance forecasts

	2019-20 $ million	2020-21 $ million	2021-22 $ million	2022-23 $ million	2023-24 $ million
2019-20 Budget	189	313	483	787	n.a.
2019-20 MYFER	151	234	595	1,142	n.a.
2020-21 Budget	**(5,734)**	**(8,633)**	**(4,303)**	**(2,480)**	**(1,389)**

The 2019-20 MYFER confirmed that Queensland was on track to achieve a General Government net operating surplus in 2019-20. This position prevailed despite a royalty reduction of $677 million since the 2019-20 Budget, with a savings plan providing a buffer against revenue revisions. Queensland's operating balance was forecast to steadily increase over the forward estimates.

The impact of the crisis on Queensland's operating position has been significant, driven by the impact of the economic downturn on revenues as well as the cost of support and recovery measures. Consistent with the C19-FER, the operating deficit in 2019-20 was $5.734 billion. The pandemic impact on the operating balance is expected to peak in 2020-21, with an estimated deficit of $8.633 billion. The operating deficit progressively decreases over the forward estimates as the economy recovers and temporary support measures are wound back. The operating position is expected to continue to strengthen beyond the forward estimates to surplus.

The government's focus is ensuring the economy recovers.

Table 3.3 provides a breakdown of the movements in the net operating balance since the 2019-20 MYFER.

Table 3.3 Reconciliation of net operating balance, 2019-20 MYFER to 2020-21 Budget[1]

	2019-20 $ million	2020-21 $ million	2021-22 $ million	2022-23 $ million
2019-20 MYFER net operating balance	**151**	**234**	**595**	**1,142**
Taxation revisions[2]	(561)	(1,405)	(1,208)	(1,344)
Royalty revisions	(258)	(1,917)	(1,175)	(712)
GST revisions	(1,251)	(1,291)	(830)	(425)
Expense measures[3]	(1,211)	(2,511)	(687)	(702)
Net flows from PNFC and PFC entities[4]	(252)	(398)	(507)	(742)
Natural Disaster Revisions (DRFA)[5]	(75)	(165)	57	(229)
Australian Government funding revisions[6]	(453)	(148)	(482)	348
Other parameter adjustments[7]	(1,824)	(1,032)	(66)	184
2020-21 Budget net operating balance	**(5,734)**	**(8,633)**	**(4,303)**	**(2,480)**

Notes:
1. Numbers may not add due to rounding. A number in brackets indicates a negative impact on the operating balance.
2. Represents parameter adjustments to taxation revenue and revenue measures providing payroll tax and land tax relief.
3. Reflects the operating balance impact of government decisions since the 2019-20 MYFER and includes COVID-19 immediate stimulus, Economic Recovery Plan measures and 2020 Election Commitments. In 2020-21 and 2021-22, policy expense measures are net of public service wage deferrals savings.
4. Represents revisions to dividends and tax equivalent payments from, and community service obligations (CSOs) and Transport Service Contract (TSC) payments to, Public Non-financial Corporations and Public Financial Corporations, net of CSO and TSC expense measures.
5. Disaster Recovery Funding Arrangements.
6. Represents the net impact of funding provided by the Australian Government primarily for Specific Purpose Payments and National Partnership Payments and excludes funding for disaster recovery expenses.
7. Refers to adjustments largely of a non-policy nature, primarily changes in interest paid on borrowings, depreciation, swaps, lapses and deferrals. In 2019-20, other parameter adjustments include providing for serious historical physical child abuse claims, an increase in historical sexual abuse claims and other pending litigation.

3.3.2 Revenue

Revenue has been significantly impacted by the pandemic, both from the impact of the downturn on industry, and the substantial package of relief measures developed to help businesses weather the crisis.

Since the 2019-20 MYFER, revenue has been revised down by $12.3 billion over the four years to 2022-23, with the pandemic impact being felt across all key revenue lines:

- Taxation revenue forecasts are $4.5 billion lower, impacted by the economic downturn and foregone revenue from support measures, though to a lesser extent in 2020-21 than estimated in the C19-FER.
- The downturn in national economic activity as well as social distancing and travel restrictions have impacted national consumption and dwelling investment, reducing GST revenue by $3.8 billion.

- The impact of the pandemic on commodity prices and global demand for key commodities has reduced royalty revenues by $4.0 billion, with royalties estimated to fall by 45.2% in 2020-21, following a 13.2% fall in 2019-20.

Ensuring Queensland provides an environment which supports businesses and jobs, growth has always been a key priority of this government. With the onset of the pandemic, substantial revenue relief has been provided to support businesses through the crisis and into a period of recovery. This include the provision of a range of significant tax relief measures to assist Queensland businesses and taxpayers, including:

- Payroll tax refunds or holidays for eligible small to medium businesses, and payroll tax deferrals for eligible businesses regardless of their size, supporting job security. No Queensland business eligible for deferral will need to make a payroll tax payment this calendar year and deferred liabilities may be paid as instalments throughout 2021.
- A payroll tax exemption for wages subsidised by the Australian Government's JobKeeper payment, to ensure this support flows through to businesses where it is needed.
- Land tax rebates for eligible taxpayers either providing necessary rent relief or where the pandemic has affected the securing of tenants during 2019-20 and 2020-21, and a 3-month deferral of land tax liabilities for all land taxpayers for the 2020-21 assessment year.
- A deferral of gaming machine tax and lottery tax liabilities to assist the cashflow of eligible businesses.

A rebound in key revenues is expected in 2021-22, followed by a gradual recovery. Forecast revenue growth of 7.6% in 2021-22 is driven by a 9.3% growth in GST revenue as national consumption recovers, a 7.1% growth in taxation revenue as economic conditions improve, and a rebound in royalty revenue.

Consistent with its election commitments, the Queensland Government remains committed to retaining a competitive taxation environment to support businesses in the longer term.

Further information on revenue forecasts is provided in Chapter 4.

3.3.3 Expenses

In response to the COVID-19 pandemic, the government provided significant additional expenditure, both to support the health sector and the economy. Queensland's Economic Recovery Plan has provided substantial immediate stimulus as well as longer-term recovery initiatives, focused on improving competitiveness and productivity to support Queensland jobs. The Economic Recovery Plan is discussed in more detail in Chapter 1.

Expenses increased by 7.9% in 2019-20 and are estimated to increase by a further 2.2% in 2020-21 from an already high base, driven by the response to the pandemic.

Expense growth is then expected to moderate significantly, with growth of 1.4% expected on average over the three years to 2023-24. Over the same period, revenue is expected to grow by an average of 5.6%.

The 2020-21 Budget targets initiatives that drive job creation, business-led growth and sustainable public investment; supporting the next wave of innovation and ensuring

Queenslanders have the skills for the future. Expense measures in the 2020-21 Budget incorporate the commitments made by the government during the recent election period, and include:

- Additional funding of $624 million for 2,025 new police personnel over five years.
- $20 million over four years for the Tourism Activation Fund, $15 million for the Regional Tourism Organisation Fund and $15 million to promote Queensland as a tourist destination. Together with the $20 million to boost major events in Queensland, these initiatives will provide needed support for the tourism industry, which has experienced a substantial impact from the pandemic.
- 357 additional firefighters will be recruited to strengthen Queensland fire services across the state.
- $50 million over three years for the South East Queensland Community Stimulus Package.
- $40.5 million to support jobs through building a stronger manufacturing sector in Queensland.
- $42.5 million towards a new levee to protect Bundaberg homes and businesses from major flooding, as part of the government's 10-year plan to protect the city from flood events.
- $100 million over three years for the Wellbeing Workforce for Queensland Schools, to provide every Queensland state school student with access to mental health professionals and to trial the placement of general practitioners in up to 20 schools.
- $18.5 million over three years for the Rural and Regional Renal Program, providing 33 additional renal dialysis treatment spaces. This initiative has an additional capital component of $9.3 million.

Further measures that may become necessary though the economic recovery will be considered within existing funding established in the 2020-21 Budget. Departments will work to maximise services and outcomes within current fiscal settings and in line with government priorities.

Savings and Debt Plan

To support Queensland's COVID-19 economic recovery, the government is implementing a Savings and Debt Plan within government services to deliver savings of $3 billion over four years to 2023-24. The government has achieved 47%, or $352.2 million, of its savings target for 2020-21 through a range of measures.

Savings will continue to be achieved by focussing on core tasks, ensuring government resources are directed to where they are needed most.

Six workstreams have been established to progress measures under the Savings and Debt Plan, with a focus on Government Advertising, Accommodation, Data and ICT, Workforce, Structural Reform opportunities and Agency Functional Reviews.

Agency functional reviews seek to ensure that government activities are being delivered efficiently and effectively and remain aligned to government priorities.

Short, medium, and long-term savings opportunities are being identified and progressed through measures under the workstreams.

Focussing on Core Business

- Programs that are time-limited will be either integrated into core business or ceased.
- Departments' staff levels to be maintained within approved caps, excluding frontline staff requirements.
- No marketing other than public and road safety, tourism promotion, investment attraction or Queensland Economic Recovery Plan initiatives.

Sustaining effective frontline services

- Reinforce the frontline by limiting secondments of frontline workers to back-office roles and identifying opportunities for roles to be reallocated to frontline tasks.
- Examine all uses of non-public servants in roles and move to end contracts.
- Strengthen oversight of non-frontline recruitment, and a natural reduction of senior executive service roles.
- Initiate a six month freeze on new ICT projects, except those related to critical safety or cybersecurity.
- Greater utilisation of existing government buildings to encourage public servants to work closer to home.

3.3.4 Investment

The Queensland Government has an important role in providing essential infrastructure and capital works to meet the state's increasing service needs and to promote increased productivity and efficiency for the state's industries. This role is particularly vital in the context of the pandemic, with the $56.031 billion capital program funding the critical infrastructure needed to facilitate business-led growth, directly supporting employment across all regions of the state and forming a key component of the Economic Recovery Plan.

Consistent with the fiscal principles, the capital program seeks to target investment to areas of most need and adopt a cost-effective approach to addressing infrastructure requirements. The Queensland Government has established an infrastructure planning framework to underpin and inform the prioritisation of the state's capital works, including the State Infrastructure Plan.

Key capital initiatives include:

- A $6.267 billion investment in transformative transport infrastructure in 2020-21, including $1.514 billion for continued Cross River Rail construction and substantial ongoing investment to fund major upgrades to the M1 Pacific Motorway and the Bruce Highway.
- An investment of $2.745 billion in 2020-21 across the state to maintain and upgrade energy and water assets, enhancing the productive capacity of Queensland's businesses, industries and communities.

- To support the delivery of health services, capital expenditure of $1.625 billion will be invested in 2020-21. The government is investing $979 million for the Building Better Hospitals commitment to help address growing demand and $265 million to build seven satellite hospitals to enable acute hospitals to continue safely managing patients via alternative models of care across South East Queensland.
- To ensure Queensland's state schools and training assets are world-class and continue to meet demand, $1.917 billion will be invested in 2020-21. Investment in new schools is being facilitated through the $1.687 billion Building Future Schools Fund, while the Great Schools, Great Future commitment worth around $1 billion is helping provide new classrooms and facilities at existing schools to meet growing enrolments.
- Ongoing investment in social housing, including $526.2 million in 2020-21 to construct new dwellings, upgrade existing properties, and provide housing services including in Indigenous communities.
- A $590.4 million investment in key infrastructure to support the delivery of enhanced justice and public safety services, including $178 million over three years from 2019-20 on additional youth justice infrastructure.

Further information about the government's capital program is provided in Chapter 6 and the Capital Statement (Budget Paper 3).

3.3.5 Borrowing

Ensuring the health of all Queenslanders through this pandemic as well as laying the foundations for our economic recovery has had a substantial impact on Queensland's fiscal position. The pandemic led to sharp falls in key revenues, as well as a necessary increase in expenditure to respond to the crisis. In Queensland, as with all other jurisdictions, borrowings will be higher than forecast prior to the emergence of COVID-19.

The strong response to the pandemic was necessary, and Queensland was fortunate to enter this crisis in a robust fiscal position – with operating surpluses and debt reductions as a proportion of revenue and in absolute terms delivered through consecutive pre-crisis state budgets.

The government is focused on economic recovery and will deliver a growing infrastructure investment program which supports economic growth across Queensland and provides long-term employment opportunities.

Box 3.1 Borrowing Reporting

The Uniform Presentation Framework (UPF) provides financial information in a consistent and comparable way. The UPF groups financial reporting into the key institutional subsectors: General Government Sector; Public Non-financial Corporations sector; and Public Financial Corporations Sector. The Public Financial Corporations Sector does not form part of State Budget reporting.

General Government Sector primarily comprises government-funded departments such as the Departments of Health, Education and Transport and Main Roads. Queensland Treasury undertakes borrowings on behalf of General Government Sector entities through its financing arm Queensland Treasury Corporation (QTC). General Government Sector borrowing is estimated to be $61.263 billion by 30 June 2021.

Public Non-financial Corporations (PNFC) comprise various statutory authorities, government business enterprises and marketing bodies which provide goods and services on a commercial basis. Examples include the government-owned corporations (GOCs), Queensland Rail and Stadiums Queensland. Debt held by GOCs and other PNFC Sector entities is supported by their commercial activities. PNFC Sector borrowing is estimated to be $40.964 billion by 30 June 2021.

The Non-financial Public Sector (NFPS) is the consolidation of the General Government and PNFC sectors, with transactions between these sectors eliminated. NFPS borrowing is estimated to be $102.220 billion by 30 June 2021.

Net debt for each sector (reported in the UPF tables in Chapter 9) comprises interest bearing liabilities less selected financial assets, such as investments, and provides a measure of the overall strength of a jurisdiction's fiscal position.

While the nature and impact of the COVID-19 pandemic means increased borrowings are unavoidable, serviceability of borrowings remains strong. The government has benefited from interest rates trending lower over recent years reflecting an easing bias in central banks' monetary policy. The government is actively managing its borrowings by refinancing maturing higher cost debt at record low interest rates.

To better position the government in an environment of record-low interest rates, Treasury is actively reducing refinancing and interest rate risk by extending the duration of its debt maturities.

Through a combination of debt reductions and low interest rates Queensland General Government Sector interest expense as a proportion of revenue has declined over successive budgets with a smaller portion of state revenue required to service Queensland's debt.

General Government Sector interest expenses have fallen from a peak of $2.33 billion in 2014-15 to $1.49 billion in 2019-20, while the yields on Queensland Government bonds are comparable to those of our AAA related state peers.

Chart 3.1 shows that Queensland's interest expense is forecast to be around 3.1% of revenue in 2020-21, well below the peak in 2013-14 of 4.7%.

Chart 3.1 General Government Sector ratio of borrowing costs to revenue

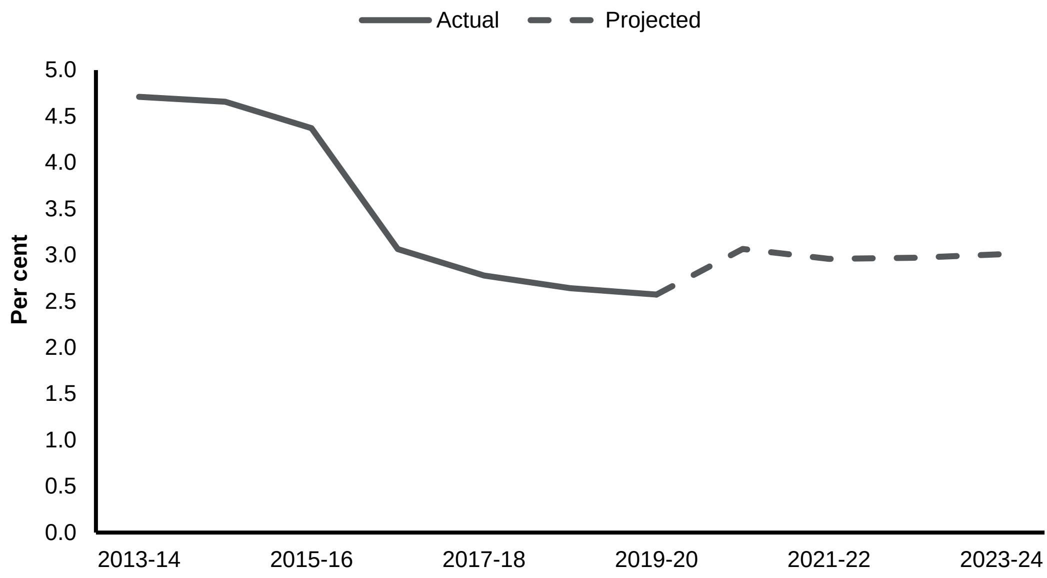
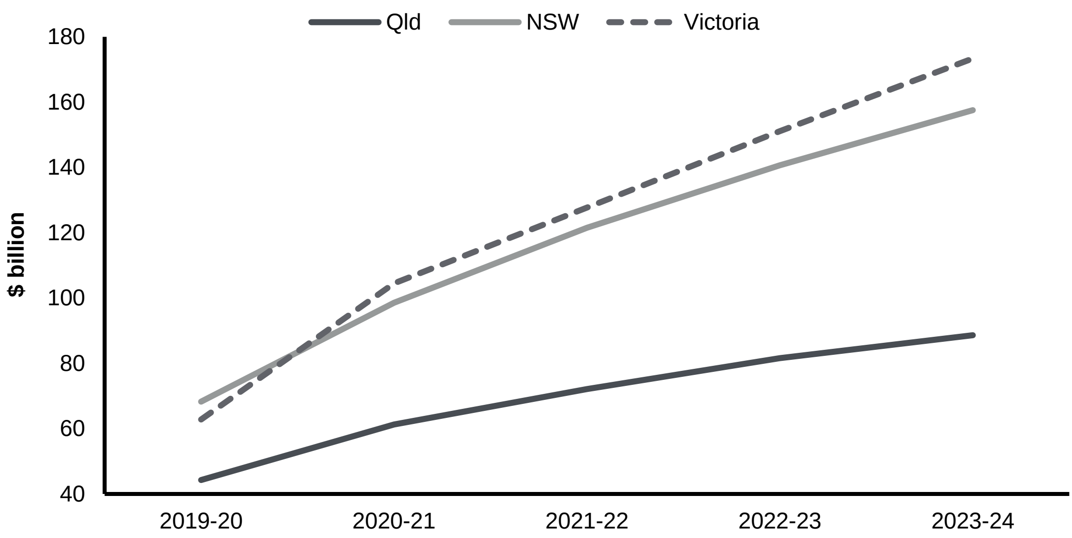


Chart 3.2 shows Queensland's borrowings compared to NSW and Victoria. While borrowings in Queensland will increase in response to the pandemic, they are expected to remain below that of New South Wales and Victoria and are also expected to increase by less over the forward estimates period.

Chart 3.2 State comparison of General Government Sector borrowing



Charts 3.3 and 3.4 show Queensland's ratio of debt to revenue compared to NSW and Victoria. The General Government ratio of debt to revenue in Queensland is expected to remain below that of New South Wales and Victoria across the forward estimates period, and the Non-financial Public Sector ratio of debt to revenue is expected to be lower from 2021-22 onwards.

Chart 3.3 State comparison of General Government Sector ratio of debt to revenue

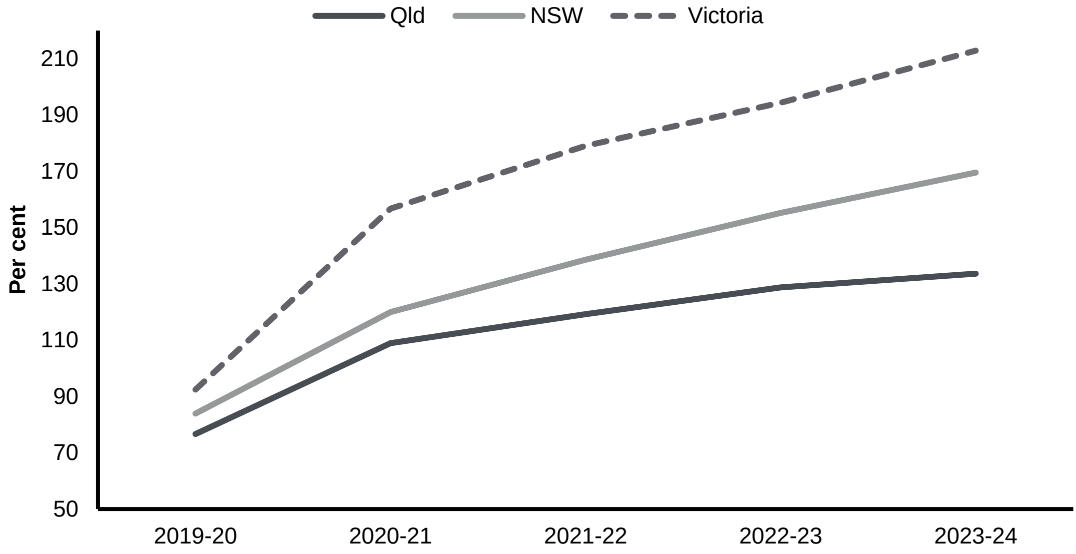
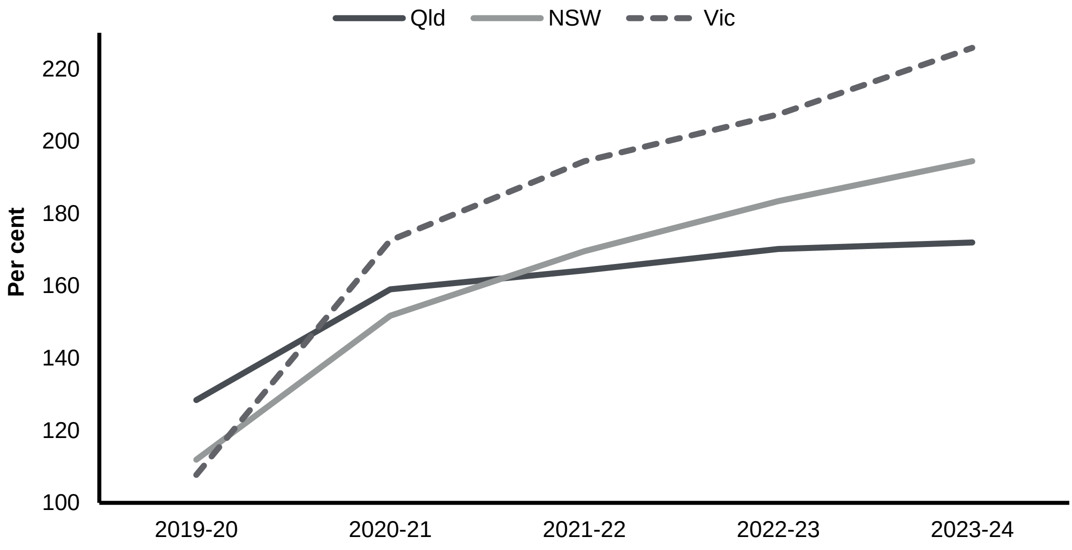


Chart 3.4 State comparison of Non-financial Public Sector ratio of debt to revenue



Box 3.2 Queensland Future Fund – Debt Retirement Fund

The *Queensland Future Fund Act 2020* (QFF Act) was assented to in August 2020. It established a framework for individual Queensland future funds, which the Treasurer is to administer under the *Financial Accountability Act 2009* (FA Act) as special purpose accounts.

The Queensland Future Fund – Debt Retirement Fund will be established under the provisions of the *Queensland Future Fund Act 2020* which requires that amounts withdrawn from the Debt Retirement Fund can only be used for reducing debt. The Queensland Future Fund – Debt Retirement Fund will be reported in Treasury's annual financial statements which are audited under the *Auditor-General Act 2009*.

The Debt Retirement Fund will hold state investments targeted for future growth to support current and future borrowings. This budget factors in over $5 billion of seed funding including the Titles Registry, equities and a contribution sourced from the long-term assets set aside for the Defined Benefit Superannuation Scheme liabilities.

The fund is expected to be established by 30 June 2021.

3.3.6 Emerging Fiscal Pressures

At any given time, issues exist with potentially significant adverse impacts. Until these issues have been considered by government or formal agreements are in place, it remains unclear if or when these issues will impact the state's financial position. Until there is greater certainty, the potential fiscal impacts of such issues are either not included or not fully included in the forward estimates. Other than ongoing uncertainties related to the COVID-19 pandemic, these include:

- Native Title Compensation Settlement: The government has a potential liability with respect to compensation arising from acts that have extinguished or impaired native title since 1975.
- Expiring agreements: Queensland's fiscal position is exposed to decisions made by the Australian Government, including not renewing funding for National Partnership payments (NPs) where there are ongoing community service needs that must be met. There are 11 non-infrastructure NPs expected to expire on 30 June 2021. The Australian Government has not allocated any funding beyond 2020-21 for Queensland's expiring agreements except for Essential Vaccines. Further information is provided in Chapter 7.

4 Revenue

Features

- The coronavirus (COVID-19) pandemic and the resulting domestic and global economic downturn is substantially impacting on the state's revenues. Compared with the outlook prior to COVID-19, total revenue has been revised downward across the forward estimates, with key revenue streams (GST, taxation and royalties) all substantially lower.
- Across the four years to 2022-23, total revenue is expected to be $12.279 billion lower than forecast at the 2019-20 Mid-Year Fiscal and Economic Review (MYFER).
  - This is driven by a $12.340 billion downward revision across key revenue streams. Specifically, forecast taxation revenue has been reduced by $4.518 billion across the four years, while GST and royalty revenues are $3.798 billion and $4.024 billion lower respectively.
  - In addition, a range of other smaller revenue items (including sales of goods and services, and dividend and income tax equivalent income) were also revised downward compared to the 2019-20 MYFER estimates.
  - The downward revisions are partially offset by upward revisions to a number of other revenues, including an increase in expected payments for specific purposes and other grants and contributions across the four years.
- In addition to the substantial impacts on key revenues due to the broad downturn in economic activity as a result of COVID-19 public health measures, reduced revenues in 2019-20 and 2020-21 also reflect the significant tax relief introduced by the Queensland Government to support Queensland businesses, particularly small to medium businesses.
- General Government Sector revenue totalled $57.764 billion in 2019-20. Primarily reflecting the impacts of COVID-19 in the June quarter 2020, this is $2.064 billion (3.5%) lower than in 2018-19 and $2.150 billion (3.6%) lower than estimated in the 2019-20 MYFER.
- Total General Government Sector revenue is estimated to fall further in 2020-21, down to $56.249 billion, a decrease of $1.515 billion (2.6%).
- The decrease in revenues in 2020-21 compared with 2019-20 primarily reflects the global, national and statewide impacts of COVID-19, as well as other external factors:
  - Royalties and land rents are expected to be $2.054 billion (43.8%) lower in 2020-21, due to lower coal prices and volumes, and lower oil prices impacting LNG values.
  - Taxation revenue is expected to be $255 million (1.7%) lower than in 2019-20, driven primarily by lower transfer duty revenue and lower payroll tax revenue, reflecting the substantial impacts of the COVID-19 crisis on employment and wages.
  - Payroll and land tax revenues have also been impacted by the tax relief measures implemented by the government to support businesses in response to COVID-19.

  - Dividend and income tax equivalent income is expected to be $749 million (38.8%) lower than in 2019-20 due to regulatory determinations and weaker market conditions in sectors where Queensland Government Owned Corporations (GOCs) operate.
- Australian Government payments to Queensland in 2020-21 are expected to total $28.730 billion, representing an increase of $1.438 billion compared with payments in 2019-20. This increase is driven by a $938 million (52.0%) increase in Australian Government capital grants and a $561 million (4.4%) increase in payments for specific purposes.
- Key revenues are expected to rebound in 2021-22 and grow over the remainder of the forecast period as the economy recovers. Total revenue is expected to grow at an average rate of 3.5% over the four years to 2023-24, with average annual growth of 3.9% in taxation and 5.0% in GST, and a recovery in royalties from 2021-22 onwards.
- Importantly, Queensland is maintaining its competitive tax status, with per capita state tax estimated at $2,767 in 2020-21, compared to an average of $3,395 for the other states and territories. Taxation as a proportion of Queensland's GSP is expected to be stable at around 4.1% over the period from 2020-21 to 2023-24.

4.1 Impact of COVID-19 on key revenues

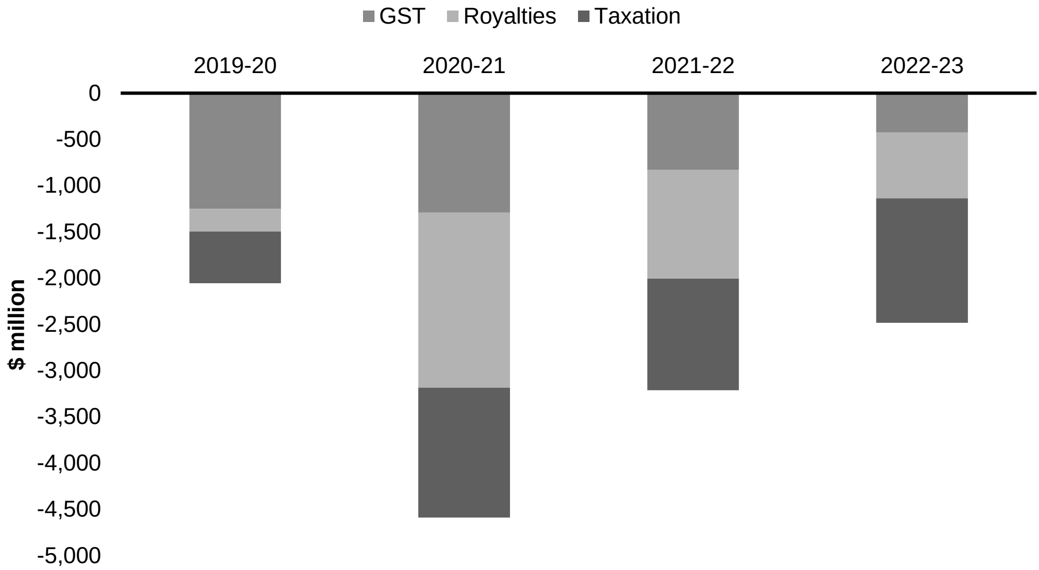
The COVID-19 pandemic and the resulting domestic and global economic downturn is substantially impacting on the state’s revenues. Compared with the outlook prior to COVID-19, total revenue has been revised downward across the forward estimates, with key revenue streams (GST, taxation and royalties) all substantially lower.

The combined impact of the downward revisions to key revenues is estimated at $12.340 billion (or 8.7%) across the four years to 2022-23 compared with the 2019-20 MYFER. Specifically, forecast taxation revenue has been reduced by $4.518 billion (or 7.0%) across the four years, while GST and royalty revenues are expected to be $3.798 billion (or 6.6%) and $4.024 billion (22.0%) lower respectively.

By comparison, following the global financial crisis, key revenues were $9.658 billion lower over the four years from 2008-09 to 2011-12, compared with pre-GFC 2008-09 Budget Forecasts.

Chart 4.1 outlines the downward revisions to forecasts in key revenues since MYFER.

Chart 4.1 Reduction in key revenues since 2019-20 MYFER



4.2 2019-20 revenue – actuals

General Government Sector revenue in 2019-20 totalled $57.764 billion, which is $2.150 billion (or 3.6%) less than the 2019-20 MYFER estimate. Significant variations from the 2019-20 MYFER estimates include:

- a $1.251 billion (or 8.9%) decrease in GST revenue reflecting lower GST collections by the Australian Government during 2019-20 than previously expected.
- a $561 million (or 3.7%) decrease in taxation revenue. The downward revision partly reflects the impact of tax relief measures implemented by the Queensland Government to support business cashflows and viability in the face of the economic downturn.
- a $489 million (or 8.0%) decrease in sales of goods and services, driven by lower revenue from hospital fees and fees for service activities reflecting lower fees being charged due to the impact of COVID-19.

These decreases were partially offset by higher than estimated payments for specific purposes, which were driven by additional COVID-19 initiatives and priority road projects. For additional information refer to Chapter 7.

4.3 2020-21 revenue – forecasts

General Government Sector revenue in 2020-21 is estimated to be $56.249 billion, a decline of $1.515 billion (or 2.6%) compared with the 2019-20 actual.

The decrease in revenues expected in 2020-21 reflects a range of factors, primarily related to ongoing global, national and statewide impacts of COVID-19 as well as other external factors, including:

Royalty and land rent collections are expected to be $2.054 billion (or 43.9%) lower than in 2019-20. This decline is driven by lower coal prices and volumes, reflecting continued weaker global economic growth, as well as the recent sharp fall in oil prices flowing through to LNG values.

The impact on LNG royalties is expected to be partially offset by the introduction of the new volume-based model for petroleum and gas royalties, which replaced the current regime based on well head values from 1 October 2020.

Dividend and income tax equivalent income is expected to be $749 million (or 38.8%) lower than in 2019-20. This is primarily due to decreases in the electricity network sector, driven by Energy Queensland Limited's new regulated revenue determinations for the period of 1 July 2020 to 30 June 2025.

Taxation revenue is expected to be $255 million (or 1.7%) lower than in 2019-20. This reduction is driven primarily by lower transfer duty revenue, due to a sharp downturn in non-dwelling transfers, and lower payroll tax revenue, reflecting the substantial impacts of the COVID-19 crisis on employment and wages.

Both payroll and land tax revenue collections have also been impacted by the substantial tax relief measures implemented by the Queensland Government to support businesses in response to COVID-19.

These decreases were partially offset by an increase in capital grants, which are expected to be $955 million (or 51.9%) higher in 2020-21 than in 2019-20, and an increase in other current grants which are expected to be $558 million (or 4.3%) higher.

This increase is primarily due to additional funding related to: road projects; COVID-19 management and economic response initiatives; a back payment for Disability Care funding; additional Remote Indigenous Housing funding; and new funding for skills and workforce training (JobTrainer Fund).

The major sources of total General Government Sector revenue in 2020-21 are grants revenue (51.7%) and taxation revenue (25.5%). Table 4.1 details revenue estimates by category, and Chart 4.2 illustrates the composition of General Government Sector revenue.

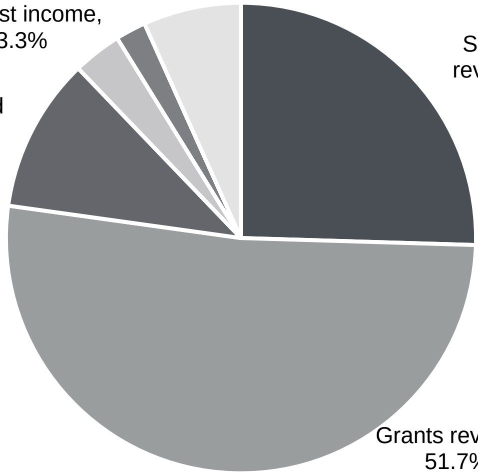
Table 4.1 General Government Sector revenue[1]

	2018-19 Outcome $ million	2019-20 Budget $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Taxation revenue	14,165	15,164	14,585	14,330	15,347	16,130	16,967
Sales of goods and services	5,783	6,004	5,618	5,975	6,152	6,243	6,532
Interest income	2,191	2,141	2,076	1,882	2,374	2,418	2,460
Grants revenue							
GST Revenue	14,332	14,214	12,761	12,701	13,887	14,711	15,535
Other current grants[2]	12,259	11,789	13,039	13,597	13,724	14,351	15,002
Capital grants	1,716	2,000	1,841	2,796	3,086	3,025	2,918
Dividend and income tax equivalent income							
Dividends	1,803	1,473	1,180	714	732	724	821
Income tax equivalent income	981	764	748	465	469	450	477
Other revenue							
Royalties and land rents	5,378	5,621	4,686	2,631	3,517	4,077	4,345
Other	1,220	1,217	1,229	1,157	1,216	1,265	1,271
Total revenue	**59,828**	**60,387**	**57,764**	**56,249**	**60,504**	**63,394**	**66,326**

Notes:

1. Numbers may not add due to rounding.
2. Queensland Treasury estimates. Differs from Chapter 7 due to the inclusion of direct Australian Government payments to Queensland agencies for Commonwealth own purpose expenditure.

Chart 4.2 Revenue by operating statement category, 2020-21[1]



Notes:

1. Numbers may not add up to 100% due to rounding.
2. Chart prepared in line with Operating Statement categories. ‘Other revenue’ includes royalties and land rents, which comprise 4.7% of total revenues.
3. Grants Revenue includes direct Australian Government payments to Queensland departments for Commonwealth own-purpose expenditure.

4.4 Queensland's revenue trends

Following the forecast decline of 2.6% in 2020-21, total General Government revenue is expected to rebound in 2021-22, growing by 7.6%.

Total General Government revenue is then expected to grow by a further 4.8% in 2022-23 and 4.6% in 2023-24.

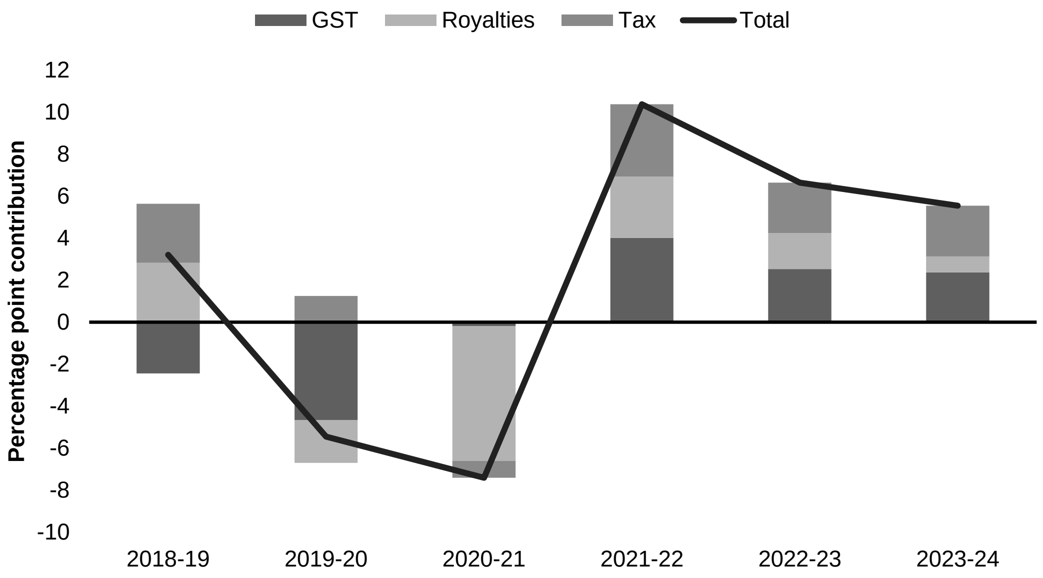
Declines in Queensland’s revenues resulting from the upheaval in economic conditions caused by the COVID-19 pandemic are primarily reflected in three key state revenue sources: GST, royalties, and taxation.

The volatility in these revenues across the three years of 2019-20 to 2021-22 reflects the negative impacts of COVID-19 on global and domestic economic activity in late 2019-20 and the expected recovery in the domestic economy throughout 2020-21, but with ongoing impacts from the global economic downturn on activity and demand for key exports.

The solid but steady growth forecast in 2022-23 and beyond reflects the expected return to more normal economic conditions and activity levels over the forecast period.

Chart 4.3 examines the growth in revenue across the three key streams and the share of growth attributable to each key revenue item.

Chart 4.3 Growth in key revenues[1]



Note:

1. Annual contribution to growth in key revenues. Total is the annual growth of the sum of the three categories.

4.4.1 GST revenue trends

GST was the largest driver of overall revenue decline in 2019-20. The substantial downturn in national economic activity as a result of COVID-19, in particular in the June quarter 2020, had a major effect on aggregate GST collections (with the national GST pool falling 7.6% from 2018-19 levels) and this flowed through to substantially lower Queensland GST revenues. There has also been a sharp increase in unpaid GST debt, a portion of which is expected to be repaid during 2020-21.

In 2020-21, the ongoing impacts of COVID-19 and the social distancing and travel restrictions imposed to contain the spread of the virus have continued to negatively impact national consumption and dwelling investment, further reducing the national GST pool.

The impact on GST revenue has also been exacerbated in the short-term by COVID-19-induced changes in consumption patterns. In particular, during the 'lockdown' period, a larger proportion of household expenditure was spent on goods and services not subject to GST (e.g. exempted food items), while business closures also disproportionately impacted the supply (and, therefore, consumption) of some key taxable goods and services.

However, as the economy recovers, GST is expected to be the main driver of revenue growth across the forward years, with GST revenue expected to grow by 9.3% in 2021-22, 5.9% in 2022-23, and 5.6% in 2023-24, reflecting the expected rebound and ongoing recovery in national consumption.

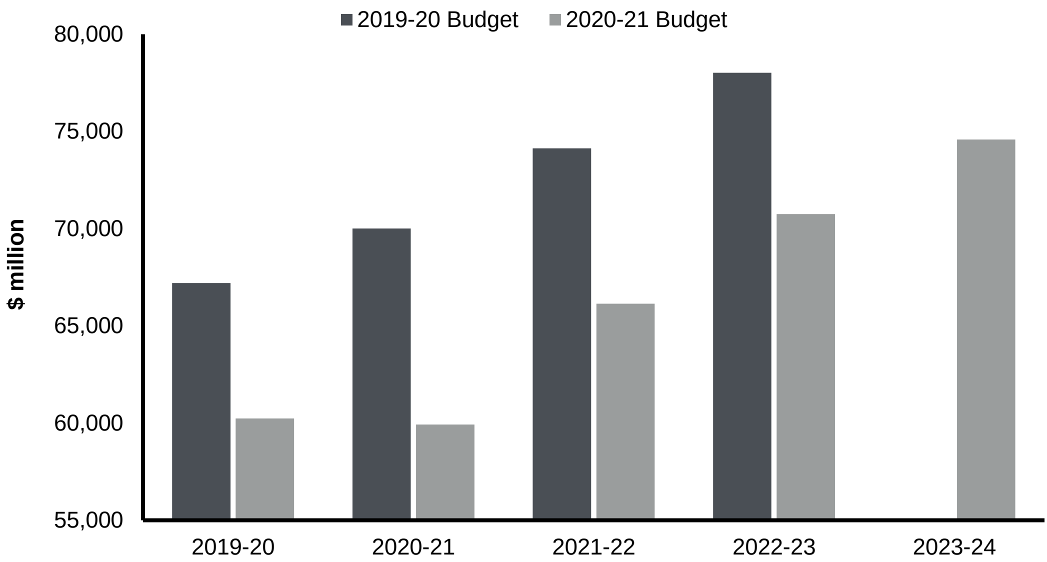
Revisions to the GST pool

The 0.5% decrease in estimated GST revenue in 2020-21 primarily reflects the Australian Government's estimates for the size of the GST pool. Since the Federal Budget 2019-20, the GST pool estimate is, in aggregate, around $32 billion lower over the years from 2019-20 to 2022-23.

Following the further decline in 2020-21, the Australian Government forecast the GST pool to rebound strongly in subsequent years, growing by 10.4% in 2021-22, 7.0% in 2022-23, and 5.4% in 2023-24. However, despite this forecast strong growth, the levels of the estimated GST pool in each of these years still remain below the levels forecast at the time of the 2019-20 Budget.

Chart 4.4 compares GST revenue pool forecasts published in the 2019-20 and 2020-21 Federal budgets (including Final Budget Outcome for 2019-20). This comparison highlights the extent to which the GST pool forecasts at the Federal Budget 2020-21 are materially lower in each year compared to the pre-COVID-19 forecasts in the Federal Budget 2019-20.

Chart 4.4 Australian Government forecast of GST revenue pool[1]



Note:

1. For 2019-20, 2020-21 Budget amount reflects actual GST entitlements as stated in the Australian Government Final Budget Outcome 2019-20

GST - Queensland's assessed fiscal capacity

In addition to the impact of the decline in the overall GST pool, the Australian Government accepted the Commonwealth Grants Commission's (CGC's) recommendation that Queensland's fiscal capacity for 2020-21 is slightly stronger compared to 2019-20, relative to other states and territories. This reduces the state's share of GST revenue compared to the previous year. The CGC's recommendation results from Queensland's:

- increased capacity to raise coal royalties
- lower assessed costs of providing urban public transport services, and
- greater share of Commonwealth payments.

The reduction is less severe than previous estimates because it takes into account changes to the CGC's method arising from its 2020 Methodology Review, which were net positive for Queensland. These included revisions to state natural disaster relief expenses, an increase in assessed rural road investment, and changes to the scope of the stamp duty assessment.

4.4.2 Royalty revenue trends

While a weaker global outlook was already affecting royalty revenues to some extent prior to COVID-19, the pandemic has impacted substantially on global demand for, and prices of, many key commodities, particularly coal and oil.

Total royalty revenue fell by 13.2% in 2019-20 compared to 2018-19, primarily driven by lower coal export volumes and prices.

Total royalty revenue is expected to fall by a further 45.2% in 2020-21. This is driven by a further decline in coal prices and volumes, reflecting continued weaker global economic growth and industrial production, as well as more recent impacts of Chinese import restrictions. The sharp fall in oil prices, reflecting the reduced global demand for energy, will also flow through to lower LNG values during 2020-21.

As the global economy recovers, total royalty revenue is expected to rebound in 2021-22, growing by 34.6%, followed by expected growth of 16.7% in 2022-23 and 6.8% in 2023-24.

4.4.3 Taxation revenue trends

As outlined in the COVID-19 Fiscal and Economic Review (C19-FER), the impacts on economic activity of COVID-19 and the foregone tax revenue resulting from the Queensland Government's tax relief measures to support Queensland businesses, have impacted substantially on taxation collections in 2019-20 and 2020-21.

However, as a result of the ongoing recovery in the domestic economy and Queensland labour market since June quarter 2020, taxation revenue in 2020-21 is now expected to be $495 million (or 3.6%) higher than forecast in the C19-FER.

In particular, payroll tax collections have improved in recent months, consistent with the turnaround in labour market outcomes in Queensland, while transfer duty collections have been supported by stronger than expected residential property turnover.

Residential transactions for October 2020 reached their highest level in over a decade with strong growth in both investor and homebuyers' activity. In addition, current incentives provided by both the Australian and State Governments have seen a pick-up in activity in the first home buyer market.

Gambling tax collections have also been above earlier expectations, likely to have been boosted by the substantial income support available in response to COVID-19. However, some moderation is expected over coming quarters as income support and welfare payments are normalised.

Despite the slightly improved outlook for some taxes in recent months, total taxation revenue is still expected to decline 1.7% in 2020-21, before rebounding to growth of 7.1% in 2021-22. The expected rebound in taxation revenue in 2021-22 reflects the lower base in 2020-21, with transfer duty and payroll tax expected to return to stronger growth as economic conditions improve.

Beyond 2021-22, a recovery in the non-residential sector is expected to support transfer duty revenue, while continued improvement in payroll tax collections should reflect the ongoing recovery in employment and wages. Future revenue should also be supported through additional OSR compliance activities. As a result, taxation revenues are forecast to record ongoing solid growth of 5.1% in 2022-23 and 5.2% in 2023-24.

Given the expected future growth in taxation revenue is driven by the expected recovery in the Queensland economy as it recovers, taxation revenue as a proportion of Queensland's economy will remain relatively stable over this period, rising only slightly from 4.0% in 2019-20 to 4.1% in 2023-24, below the recent peak of 4.3% in 2014-15.[1]

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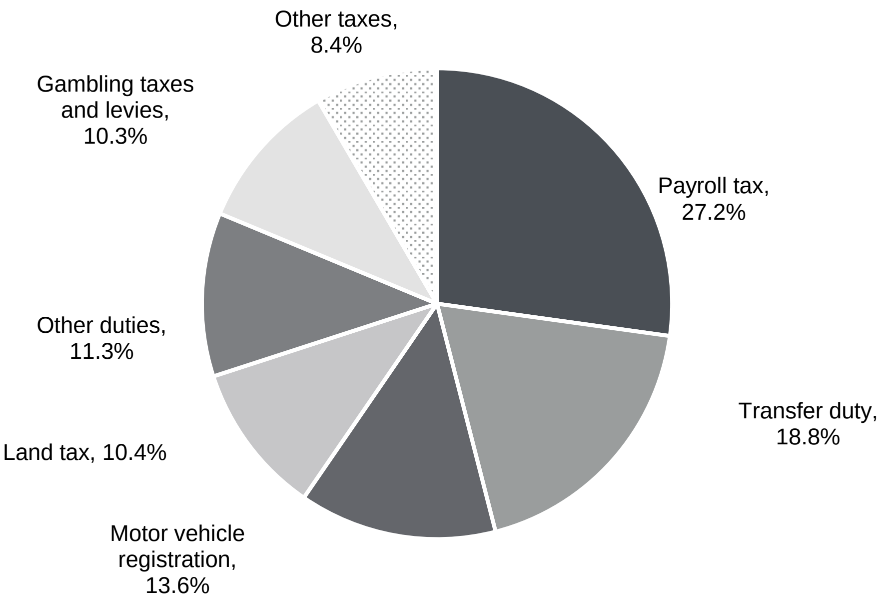
[1] Consistent with the scope of Chapter 4, tax to GSP ratios are based on GSP estimates as published in the ABS State Accounts, to allow for consistent comparisons across jurisdictions. Other GSP ratios presented in Appendix D use GSP estimates as published in the official Queensland State Accounts.

4.5 Taxation revenue

Chart 4.5 indicates the composition of estimated state taxation revenue for 2020-21, with the largest sources being payroll tax and transfer duty, together representing around 46.0% of the state's total taxation revenue.

Payroll tax generally has a relatively stable base, with its growth usually driven by the underlying strength of the economy. Transfer duty can be relatively variable, reflecting residential and non-residential market conditions. Land tax can also reflect variability in the property market, however any volatility in land tax collections is moderated substantially by the relatively stable base and the effect on assessments from three-year averaging of land values.

Chart 4.5 State taxation by tax category, 2020-21[1]



Note:

1. Percentages may not add to 100% due to rounding. 'Other duties' includes vehicle registration duty, insurance duty and other minor duties. 'Other taxes' includes the emergency management levy, waste disposal levy, guarantee fees and other minor taxes.

Table 4.2 shows the main components of taxation revenue. Decreases in 2020-21 are primarily driven by lower transfer duty revenue, due to a sharp downturn expected in dwelling and non-dwelling investment, and lower payroll tax revenue, reflecting the impacts of the COVID-19 crisis on employment and wages.

Table 4.2 State taxation revenue[1]

	2018-19 Outcome $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Payroll tax	4,160	4,211	3,896	4,304	4,611	4,923
Duties						
Transfer	3,195	3,041	2,694	2,953	3,157	3,381
Vehicle registration	555	533	548	567	593	620
Insurance[2]	956	1,016	1,033	1,090	1,155	1,223
Other duties[3]	37	34	32	32	32	33
Total duties	**4,743**	**4,624**	**4,307**	**4,643**	**4,937**	**5,257**
Gambling taxes and levies						
Gaming machine tax	734	617	773	780	804	832
Health services levy	89	77	117	101	109	117
Lotteries taxes	304	332	332	342	353	363
Wagering taxes	75	118	135	137	143	150
Casino taxes and levies	109	97	102	114	124	139
Keno tax	20	17	19	20	21	21
Total gambling taxes and levies	**1,333**	**1,258**	**1,477**	**1,495**	**1,553**	**1,622**
Other taxes						
Land tax	1,334	1,406	1,493	1,617	1,643	1,661
Motor vehicle registration	1,850	1,910	1,948	2,022	2,098	2,176
Emergency management levy	541	562	581	605	630	657
Waste disposal levy	n/a	295	305	334	334	330
Guarantee fees	156	272	277	282	278	294
Other taxes[4]	48	46	45	46	46	47
Total taxation revenue	**14,165**	**14,585**	**14,330**	**15,347**	**16,130**	**16,967**

Notes:

1. Numbers may not add due to rounding.
2. Includes duty on accident insurance premiums.
3. Includes duty on life insurance premiums.
4. Includes the Statutory Insurance Scheme Levy and Nominal Defendant Levy.

Box 4.1 COVID-19 relief measures

The impact of the COVID-19 pandemic on Queensland businesses has been significant and the government moved quickly to introduce substantial tax relief measures to support Queensland businesses, particularly small to medium businesses, including measures to support the cashflows and viability of landlords, tenants, as well as the state’s pubs and clubs.

Details of the key tax relief measures are outlined below:

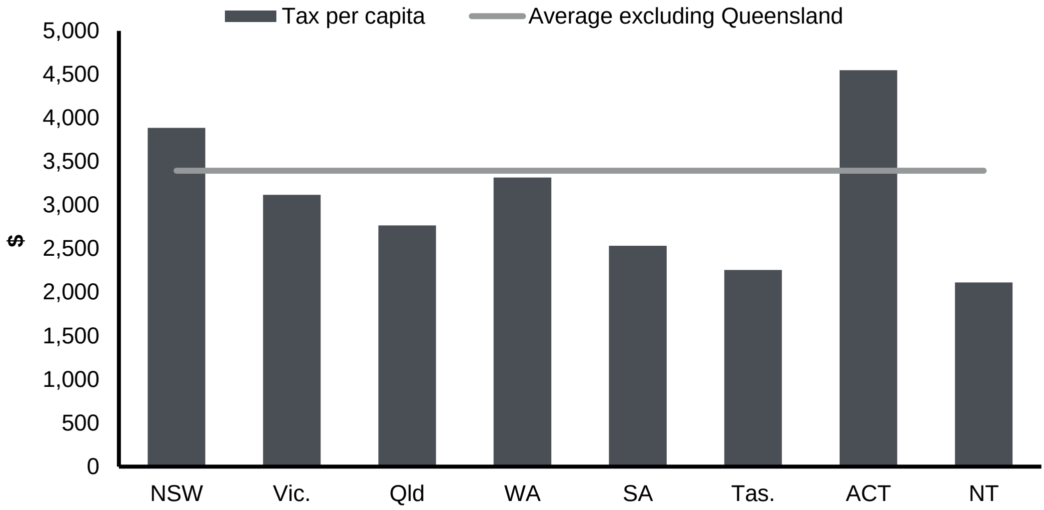
- Approving payroll tax refunds or holidays for more than 16,700 Queensland businesses, supporting their cashflows and viability, and helping to ensure the security of the workers they employ.
- Deferring payroll tax liabilities for more than 10,800 businesses, regardless of their size, so that no Queensland businesses eligible for deferral will have to make a payroll tax payment this calendar year and allowing businesses to pay deferred liabilities in instalments throughout 2021.
- Providing a payroll tax exemption for the subsidised component of wages paid under the Australian Government’s JobKeeper program to ensure this support flows through to help businesses and their workers for the duration of the JobKeeper scheme.
- Land tax rebates for eligible properties for 2019-20 and 2020-21 to support eligible land tax payers and their commercial and residential tenants, as well as a 3-month deferral of land tax liabilities for all land tax payers for the 2020-21 assessment year and a waiver of the land tax foreign surcharge for the 2019-20 year.
- Deferral of lottery tax liabilities from July to December 2020 until March 2021 to assist businesses cashflows.

4.5.1 Queensland's competitive tax status

Taxation can impact on business decisions regarding investment and employment, as well as household investment and home ownership decisions. Maintaining the competitiveness of Queensland’s tax system is critical to provide a competitive advantage to business and moderates the tax burden for citizens. As such, maintaining a competitive tax regime is fundamental to the government’s commitment to job creation and supporting sustainable economic growth.

As Chart 4.6 shows, taxation per capita in Queensland is lower than the average taxation per capita in the other states and territories. In 2020-21, it is estimated that Queensland’s taxation per capita of $2,767 will be $628 per capita less than the average of other jurisdictions. This highlights the ongoing competitiveness of Queensland’s taxation regime.

Chart 4.6 Taxation per capita, 2020-21



Sources: 2020-21 Budgets for all jurisdictions except the ACT where 2020 Economic and Fiscal Update is used. Population data from Federal Budget 2020-21.

Other measures of tax competitiveness include estimates by the CGC of Queensland's tax effort compared with other jurisdictions, and the state's tax revenue as a proportion of the size of the state's economy.

The CGC's 2020 Review assessed that Queensland's tax effort in 2018-19 (latest available data) was 9.3% below the national average.

Revenue raising effort ratios are an indicator of the extent to which governments burden their revenue bases. The taxation effort metric is based on 2018-19 data from the CGC's 2020 Review using total tax revenue effort for assessed taxes (payroll, transfer duty, land tax, insurance duty and motor vehicle taxes).

In terms of the third measure of tax competitiveness (i.e. taxation as a share of GSP), this measure also confirms that Queensland's taxes are competitive, being below the average of the other states and significantly lower than the major southern states.

Table 4.3 summarises the estimates of these three measures compared with other jurisdictions and demonstrates that the Queensland tax system remains amongst the most competitive in Australia.

Table 4.3 Tax competitiveness

	NSW	Vic.	Qld	WA	SA	Tas.[3]	ACT[4]	NT[3]	Avg[5]
Taxation per capita[1]($)	3,888	3,118	2,767	3,318	2,534	2,256	4,548	2,113	3,395
Taxation effort (%)	102.8	103.1	90.7	97.4	93.3	92.4	149	81.1	100.0
Taxation % of GSP[2] (%)	4.8	5.0	4.0	2.9	4.0	3.9	4.7	2.0	4.3

Notes:
1. 2020-21 Budgets for all jurisdictions except the ACT where 2020 Economic and Fiscal Update is used. Population data from Commonwealth 2020-21 Budget.
2. 2019-20 data. Sources: Australian Bureau of Statistics ABS 5220.0 and 2020-21 Budgets for all jurisdictions except the ACT where 2020 Economic and Fiscal Update is used.
3. Low taxation per capita primarily reflects the lower revenue raising capacity of those jurisdictions.
4. Figures include municipal rates.
5. Weighted average of states and territories, excluding Queensland (aside from taxation effort, which is the average of all states).

4.5.2 Payroll tax

Reflecting the substantial impacts of COVID-19 on employment and wages, payroll tax is expected to decline by 7.5% in 2020-21, compared with 2019-20.

This decline in payroll tax also reflects the fact that, as part of the Queensland Government's Economic Recovery Plan, a number of payroll tax relief measures were implemented to support businesses in response to COVID-19. This included refunds, payment holidays and deferrals for eligible businesses, as well as a payroll tax exemption for JobKeeper payments.

As outlined above, payroll tax collections have improved somewhat in recent months, consistent with the turnaround in labour market outcomes in Queensland.

Payroll tax is expected to grow by an annual average of 8.1% from 2020-21 onwards, reflecting a recovery in employment and wage conditions, the expiry of 2019-20 Budget policy measures, and expected increased revenue resulting from additional OSR compliance activities.

4.5.3 Duties

Transfer duty

Transfer duty is charged at various rates on the transfer of real and business property. The Queensland Government offers extensive concessions for the transfer of land where the property is purchased as a home. For example, eligible home buyers pay a 1% concessional rate on the first $350,000 of dutiable value, rather than the normal scheduled rates of between 1.5% and 3.5%. If a first home buyer purchases a property up to $500,000 they will pay no duty, with reduced rates available up to $550,000.

Following their low point in May 2020 as social distancing restrictions and general COVID-19 uncertainty weighed on activity, transfer duty collections have recovered slightly since June with strong growth from investors and homebuyers. In addition, current government incentives are seeing a pick up in the first home buyer market.

However, after declining by 4.8% in 2019-20, revenue from transfer duty is expected to decline by a further 11.4% in 2020-21 largely due to weakness in the non-residential sector, which is partially offset by strong residential volumes.

Transfer duty is expected to grow by 9.6% in 2021-22, supported by continued strength in residential transactions. Going forward, with activity in the non-residential sector expected to pick up from 2022-23 onwards, transfer duty is expected to grow by 6.9% in 2022-23 and 7.1% in 2023-24.

Vehicle registration duty

Vehicle registration duty is charged on the dutiable value of a motor vehicle on the transfer or initial registration, with a general rate of 2% to 4% dependent on the number of cylinders or rotors of the vehicle. Since 1 July 2018, an additional $2 per $100 of dutiable value applies for vehicles valued above $100,000.

Revenue from vehicle registration duty is expected to grow by 2.8% in 2020-21, and then grow at around 4.2% per annum across the forecast period.

4.5.4 Gambling taxes and levies

A range of gambling activities are subject to state taxes and levies.

The government provided gaming tax relief for Queensland pubs and clubs impacted by the effects of coronavirus, including a deferral of March 2020 gaming machines taxes until June 2021. In addition, lotteries taxes for July to December 2020 could be deferred, to be paid in full before 1 April 2021, including by instalments due before that date.

Total gambling tax and levy collections declined by 5.6% in 2019-20, largely due to the venue closures from late March 2020.

Recent collections indicate significant strength in gambling taxes since the re-opening of venues, suggesting a strong rebound in gaming activity. Total gambling tax and levy collections are expected to grow by 17.4% in 2020-21, partly reflecting the reduced impact of venue closures compared to the longer period of closures in 2019-20, followed by growth of 1.2% in 2021-22, 3.9% in 2022-23, and 4.4% in 2023-24.

4.5.5 Land tax

Land tax is levied on the taxable value of the landowner’s aggregated holdings of freehold land owned in Queensland as at midnight on 30 June each year. The landowner’s home is exempt.

Resident individuals are generally liable for land tax if the total taxable value of the freehold land owned by that person as at 30 June is equal to or greater than $600,000. Companies, trustees and absentees are liable for land tax if the total taxable value of the freehold land owned as at 30 June is equal to or greater than $350,000.

The Queensland Government has provided land tax relief measures to property owners affected by the COVID-19 outbreak, including:

- 25% rebate on 2019-20 and 2020-21 liabilities if providing commensurate rent relief, or if the property owner's ability to secure tenants has been affected by COVID-19;
- waiver of the 2% foreign surcharge for 2019-20; and
- three-month deferral of 2020-21 liabilities

Land tax revenue totalled $1.406 billion in 2019-20, 7.4% lower than estimated at the 2019-20 MYFER. This downward revision is partly driven by the impacts of the COVID-19 relief measures.

Land tax is expected to grow 6.2% in 2020-21 and 8.3% 2021-22, followed by more modest growth expected as a result of the lagged impact of the COVID-19-induced economic downturn on taxable land values.

4.5.6 Waste disposal levy

The waste disposal levy commenced on 1 July 2019 and applies to 39 local government areas, covering more than 90% of the state's waste generation and population. The levy is paid by landfill operators on wastes disposed to landfill. Exemptions from the levy exist for particular wastes, such as waste from declared disasters, waste donations to charitable recyclers, clean earth and lawfully managed and transported asbestos.

The levy commenced at $75 per tonne for general waste and is regulated to increase by $5 per tonne per annum for the first three years. The first annual increase of $5 per tonne was deferred by six months to 1 January 2021 to provide financial relief from the impacts of COVID-19. Seventy per cent of proceeds from the waste levy will be used for resource recovery and other programs that reduce the impact of waste and protect the environment and local communities.

Revenue from the waste disposal levy totalled $295 million in 2019-20. Revenue is forecast to grow by around 3.4% in 2020-21, and 9.4% in 2021-22. Following this revenue is forecast to remain stable in 2022-23 (growth of less than 0.1%) followed by a decline of 1.0% in 2023-24.

This reflects the annual increases in levy rates, offset by further anticipated behavioural changes in the amount of waste disposed to landfill.

4.5.7 Tax expenditures

Tax expenditures are reductions in tax revenue that result from the use of the tax system as a policy tool to deliver government policy objectives. Tax expenditures are provided through a range of concessions, including tax exemptions, reduced tax rates, tax rebates, tax deductions and provisions which defer payment of a tax liability to a future period. As outlined previously in Box 4.1, the Queensland Government provided substantial support to Queensland businesses through tax relief measures in response to COVID-19.

The Tax Expenditure Statement (Appendix B) provides details of tax expenditure arrangements currently provided by the Queensland Government.

4.6 Grants revenue

Grants revenue is comprised of Australian Government grants (including GST), grants from the community and industry, and other miscellaneous grants. The 5.3% increase in grants revenue in 2020-21 is driven by increases in Australian Government Grants and specific purpose payments.

Table 4.4 Grants revenue[1]

	2018-19 Outcome $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Current grants						
GST revenue grants[2]	14,332	12,761	12,701	13,887	14,711	15,535
Total payments for specific purposes[3]	11,941	12,726	13,287	13,455	14,066	14,680
Other grants and contributions	317	313	310	269	285	321
Total current grants	**26,591**	**25,800**	**26,298**	**27,611**	**29,062**	**30,537**
Capital grants						
Australian Government grants	1,668	1,805	2,742	3,053	3,009	2,898
Other grants and contributions	48	37	54	33	17	20
Total capital grants	**1,716**	**1,841**	**2,796**	**3,086**	**3,025**	**2,918**
Total Australian Government payments	27,941	27,292	28,730	30,395	31,786	33,113
Total grants revenue	**28,307**	**27,641**	**29,094**	**30,697**	**32,087**	**33,454**

Notes:

1. Numbers may not add due to rounding.
2. Includes entitlements to payments associated with the ‘no worse off’ guarantee as part of the Australian Government changes to the GST distribution.
3. Queensland Treasury estimates. Differs from Chapter 7 due to the inclusion of direct Australian Government payments to Queensland agencies for Commonwealth own purpose expenditure and the exclusion of Australian Government capital grants, what are presented separately in this table.

4.6.1 Australian Government payments

Australian Government payments to Queensland in 2020-21 are expected to total $28.730 billion, representing an increase of $1.438 billion compared to payments received in 2019-20. This increase is driven by a $938 million increase in Australian Government Grants and a $561 million increase in total payments for specific purposes.

Chapter 7 provides detailed background on federal-state financial arrangements, including Queensland’s share of GST revenue and other Australian Government payments to Queensland.

4.6.2 Other grants and contributions

Other grants and contributions are funds received from other state and local government agencies, other bodies and individuals. Contributions exclude Australian Government grants and user charges. The main sources of contributions are those received from private enterprise and community groups to fund research projects and community services and contributed assets and goods and services received for a nominal amount.

Other grants and contributions, while only comprising a very small share of total grant revenues, are expected to decline by $3 million (0.9%) in 2020-21, compared to 2019-20. Other grants and contributions are expected to decline by 13.2% in 2021-22, followed by growth of 5.8% in 2022-23, and 12.9% in 2023-24.

4.7 Royalty revenue

The state earns royalties from the extraction of coal, base and precious metals, bauxite, petroleum and gas, mineral sands and other minerals. Royalties ensure some of the proceeds of the extraction of non-renewable resources are returned to the community. Land rents are also earned from pastoral holdings, and mining and petroleum leases.

The COVID-19 pandemic has seen an unprecedented downgrade to the outlook for global economic growth in a short period of time. It has also resulted in reduced demand and substantially lower prices for key commodities, including coal and oil, to which LNG prices are linked. The impacts on expected royalties and land rents are detailed in Table 4.5.

Table 4.5 Royalties and land rents[1]

	2018-19 Outcome $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Coal	4,372	3,517	1,643	2,372	2,761	2,951
Petroleum[2]	454	466	308	467	635	702
Other royalties[3]	393	549	535	506	507	515
Land rents	159	154	146	172	174	176
Total royalties and land rents	**5,378**	**4,686**	**2,631**	**3,517**	**4,077**	**4,345**

Notes:

1. Numbers may not add due to rounding.
2. Includes impact of liquefied natural gas (LNG).
3. Includes base and precious metal and other mineral royalties.

While a large proportion of Queensland's royalties and land rents come from coal mining, the majority of this revenue is attributable to the hard coking coal used in steel production.

Lower royalties collected from thermal coal mining reflects the smaller volume of this type of coal mined in Queensland, the lower values per tonne of thermal coal and the three-tiered coal royalty rate system, where lower value coal is charged a lower average royalty rate. Compared to coal, petroleum royalties make up a relatively smaller share of total royalties, though petroleum royalties have grown strongly over the last few years due to growth in the LNG industry.

There is a high degree of uncertainty associated with estimates of commodity prices, which can have significant impacts on royalty revenue. Risks to coal export volumes also have the potential to impact royalty estimates, though changes to export volumes may in turn impact prices. Specific risk factors are considered in developing forecasts and include the level of exposure of mining operations to the risk of natural disasters and the timing of scheduled maintenance for the rail network and ports.

The Revenue and Expense Assumptions and Sensitivity Analysis (Appendix C) outlines key parameter assumptions, and the sensitivity of coal royalty estimates to individual changes in price, volume and exchange rate parameters.

4.7.1 Coal royalties

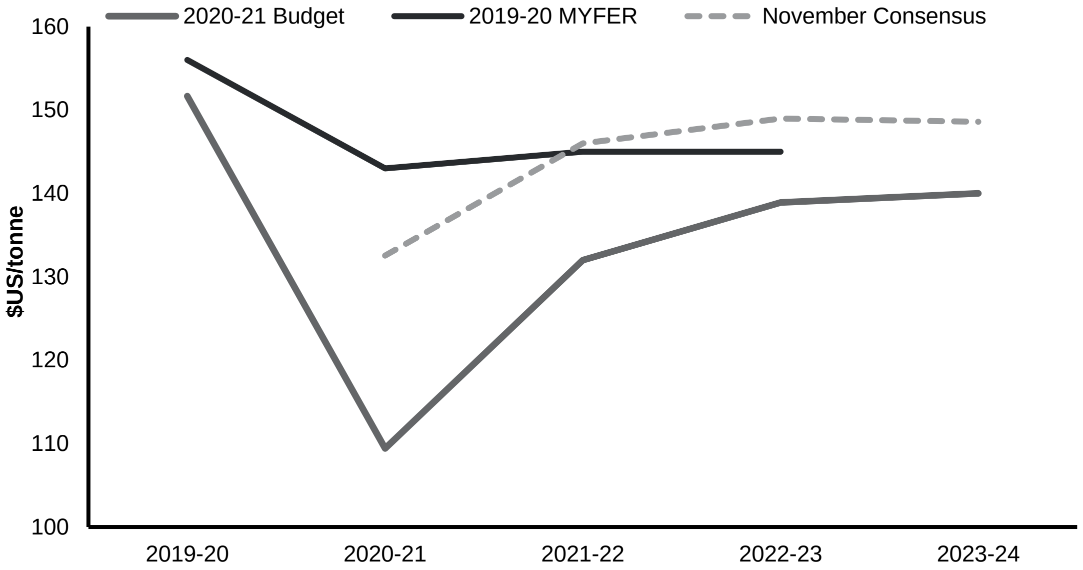
Coal royalties totalled $3.517 billion in 2019-20, 19.6% lower than in 2018-19 and 4.9% lower than forecast at the 2019-20 MYFER. Coal royalties are expected to fall a further 53.3% in 2020-21. This decline across the two years is driven by lower coal prices and volumes, reflecting weaker global economic growth, which was exacerbated significantly by the pandemic.

Some of the world’s largest steelmakers have scaled back operations due to a decline in steel demand, while restrictions in Japan and Korea are expected to reduce power demand. Ports data from Queensland's major coal export ports indicates that Queensland’s coal exports were 13.5% lower over the financial year to October 2020.

On a year average basis, the premium hard coking coal price decreased by around 26% in 2019-20 to around $US152 per tonne and is expected to decline by a further 28% to $US109 per tonne on average in 2020-21. Hard coking coal prices are expected to partially recover to $US140 per tonne by mid-2023.

Chart 4.7 shows coking coal price forecasts compared to the 2019-20 MYFER outlook and average quarterly prices from the latest *Consensus Economics* forecasts. This shows that hard coking coal prices forecast at the 2019-20 MYFER (prior to the impacts of COVID-19 being known) are similar to the latest *Consensus Economics* forecasts. The downward revisions made to hard coking price forecasts since the 2019-20 MYFER reflects the impacts of COVID-19 and import restrictions have had on demand and therefore price.

Chart 4.7 Coking coal price forecasts by iteration

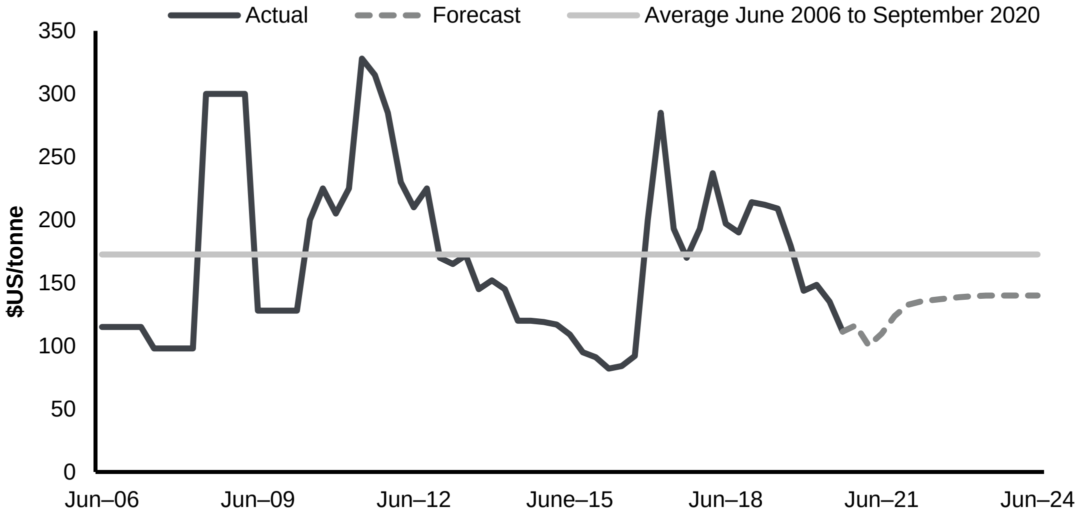


Sources: Consensus Economics and Queensland Treasury.

There remain significant downside risks in the short-term, including any further impacts from China's reported import restrictions. Reflecting the reduced demand in the first quarter, the continued impacts of COVID-19 and the uncertainty surrounding Australian access to the Chinese market, coal prices are expected to weaken further in early 2021. However, as the global economy begins to recover and demand for coal rebounds, prices are expected to move back towards a longer-term price of around US$140/t. This remains lower than recent coking coal prices, as shown in Chart 4.8.

As a result, coal royalties are expected to rebound 44.3% in 2021-22, before growth moderates to 16.4% in 2022-23 and 6.9% in 2023-24.

Chart 4.8 Coking coal price



Sources: Consensus Economics and Queensland Treasury.

4.7.2 Petroleum royalties

Oil prices factor strongly into royalty forecasts, with most of the LNG produced in Queensland sold under long-term contracts linked to oil prices. In 2019-20 revenue from petroleum and gas royalties totalled $466 million, 2.7% higher than 2018-19 but 15.1% lower than forecast at the 2019-20 MYFER.

While LNG export volumes are expected to be largely unaffected by the COVID-19, the pandemic has reduced global oil prices. This will materially impact LNG values in 2020-21 and petroleum and gas royalties are expected to decline by 34.0% in that year.

With OPEC+ (Organization of the Petroleum Exporting Countries plus Russia and other non-OPEC countries) committed to cutting production in order to sustain prices, the oil price is expected to gradually recover to US$60/bbl by June 2023 in line with growth in demand for oil as economies continue to re-open.

On 8 June 2020, the Queensland Government announced a new volume-based model. This model will replace the previous regime based on well head values from 1 October 2020. Under the volume-based model, royalties are calculated based on the volume of gas produced with rates moving in line with movements in prices.

Reflecting a combination of price recovery, volume growth and the new royalty arrangements, petroleum and gas royalties are forecast to grow by 52.0% in 2021-22, before growth moderates to 35.8% in 2022-23, and 10.7% in 2023-24.

4.7.3 Other royalties

Other royalties include revenue from metals mined in Queensland such as copper, lead and zinc, and other minerals including bauxite.

Revenue from other royalties increased by 39.9% in 2019-20, compared to 2018-19, supported by:

- increased metals volumes, with flooding in North Queensland having impacted volumes in 2018-19, and
- the finalisation of a number of significant compliance activities resulting in increased collections from penalties and interests.

A decline of 2.6% is expected in 2020-21 as collections resulting from compliance activities are anticipated to return to normal levels. This is partially offset by reassessment activities undertaken in late 2020 which increased revenue across metal and mineral royalty lines.

A further decline of 5.4% is expected in 2021-22, reflecting the return from the higher revenue collections from the reassessment of metal and mineral royalties. This is forecast to be followed by growth of 0.3% in 2022-23 and 1.5% in 2023-24.

4.7.4 Land rents

Revenue from land rents derived from mining and petroleum leases and pastoral holdings are expected to decline by 5.2% in 2020-21 primarily driven by a write down in rents during COVID-19 due to the government’s relief.

Revenue from land rents are expected to rebound in 2021-22, and grow by 17.8%, driven by the expected recovery in the economy, as well as a tapering of drought relief rental deferrals due to moving into improved La Niña weather conditions. Revenue from land rents are expected to grow by around 1.3% in 2022-23 and 2023-24.

4.8 Sales of goods and services

Sales of goods and services revenue comprises the cost recovery from the Queensland Government providing goods or services. Table 4.6 provides a breakdown of the categories of goods and services captured in terms of these revenues.

The government provides concessions in the form of discounts, rebates and subsidies to improve access to and the affordability of a range of services for individuals or families, based on eligibility criteria relating to factors such as age, income and special needs or disadvantage. The Concessions Statement (Appendix A) provides details of the concession arrangements provided by the Queensland Government.

Table 4.6 Sales of goods and services[1]

	2018-19 Outcome $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Fee for service activities	2,278	2,215	2,455	2,655	2,596	2,637
Public Transport: South East Queensland	360	289	221	346	376	414
Rent revenue	565	583	474	566	587	607
Sale of land inventory	33	34	76	79	111	107
Hospital fees	844	689	894	893	904	912
Transport and traffic fees	452	471	478	514	532	549
Other sales of goods and services	1,251	1,338	1,378	1,098	1,138	1,306
Total	**5,783**	**5,618**	**5,975**	**6,152**	**6,243**	**6,532**

Note:

1. Numbers may not add due to rounding.

4.8.1 Fee for service activities

Major items of fee for service activities across the General Government Sector include:

- recoverable works carried out by the Department of Transport and Main Roads and the commercialised arm of the department
- fees charged by Technical and Further Education (TAFE) colleges
- fees charged by CITEC to commercial clients for information brokerage services.

4.8.2 Other sales of goods and services

As shown above in Table 4.6, there are a variety of other types of sales of goods and services. These include revenue from public transport ticketing arrangements, rent or lease of government property, hospital fees, transport and traffic fees, title registration fees and other licences and permits.

4.9 Interest income

Interest income primarily comprises interest earned on investments, including those held to support superannuation and insurance liabilities.

Interest income is estimated to account for 3.3% of total General Government Sector revenue in 2020-21.

Interest income has been impacted by significant falls in interest rates and volatile market conditions over the past 12 months. Investment interest rates are expected to remain low in the short to medium term when compared with the long-term average. Reflecting this, interest income is expected to decline by 9.3% in 2020-21

Interest income is forecast to improve across the forward estimates, benefiting from increases in investments being made as part of the Queensland Future Fund – Debt Retirement Fund initiative (see Box 3.2 in section 3.3.5). As a result, interest income is expected to rebound in 2021-22, growing by 26.1%, followed by growth of around 2% in 2022-23 and 2023 24.

4.10 Dividend and income tax equivalent income

Dividend and income tax equivalent income accounts for 2.1% of total General Government Sector revenue in 2020-21.

Revenue from dividend and income tax equivalent income totalled $1.929 billion in 2019-20, $855 million lower than in 2018-19, and $258 million lower than expected at the 2019-20 MYFER. This is primarily due to decreases in the electricity generation sector, driven by a decline in wholesale electricity spot prices due to unfavourable economic conditions.

In 2020-21, dividend and income tax equivalent income is expected to decline by $749 million compared to 2019-20. This is primarily due to decreases in the electricity network sector, driven by Energy Queensland Limited's new regulated revenue determinations for the period of 1 July 2020 to 30 June 2025.

Dividend and income tax equivalent income is forecast to be stable across 2021-22 and 2022-23. Dividend and income tax equivalent income is expected to grow by 10.6% in 2023-24, driven by expected higher wholesale prices following the anticipated closure of the Liddell Power Station in New South Wales.

Trends in dividends and income tax equivalent income are discussed in more detail in Chapter 8.

4.11 Other revenue

Other revenue, including royalty revenue, accounts for 6.7% of total General Government Sector revenue in 2020-21. Royalties and land rents themselves account for 4.7% of revenue in 2020-21 and are discussed in detail in section 4.8.

The major fines and infringements included in this category are primarily issued by the Queensland Police Service and include fixed and mobile camera offences, speeding and tolling offences.

Revenue from fines and forfeitures is expected to grow by 12.5% in 2020-21, following a decline of 11.3% in 2019-20. This rebound is partially due to full year operation of mobile cameras compared to 2019-20 when operations were shut down for a month. The lower base in 2019-20 also likely reflects less traffic on the roads in the last quarter due to COVID-19, delays in the introduction of new cameras and the infringement rate being less than anticipated.

Revenue from fines and forfeitures is expected to grow a further 30.8% in 2021-22, partly driven by the introduction of new cameras that detect use of mobile phones and if seat belts are being worn.

Revenue not elsewhere classified includes assets contributed to the state and payments received for works delivered on behalf of government-owned corporations.

Table 4.7 Other revenue[1]

	2018-19 Outcome $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Royalties and land rents	5,378	4,686	2,631	3,517	4,077	4,345
Fines and forfeitures	458	406	457	597	641	642
Revenue not elsewhere classified	762	823	700	618	624	628
Total other revenue	**6,598**	**5,915**	**3,788**	**4,732**	**5,342**	**5,616**

Note:

1. Numbers may not add due to rounding.

5 Expenses

Features

- Having secured the ongoing safety of Queenslanders, the focus of the 2020-21 Budget switches to economic recovery. This budget targets initiatives, in line with the key focus areas of the government's Economic Recovery Plan, that will help drive job creation, business-led growth and sustainable public investment, as well as supporting the next wave of innovation and ensuring Queenslanders have the skills for the future.
- The government's policy response to the coronavirus (COVID-19) pandemic, as well as election commitments to support economic recovery over the longer term, have increased General Government Sector expenses across 2019-20 to 2023-24. Since 2019-20 MYFER, General Government expenses have increased by close to $11 billion over 2019-20 to 2022-23.
- The 2020-21 Budget incorporates the government's $4.3 billion of election commitments, of which expense measures make up over $1.7 billion across the four years to 2023-24.
- Expenses for 2020-21 are estimated to be $64.881 billion, an increase of $1.383 billion from 2019-20. The increase reflects the significant health response to the pandemic to keep Queenslanders safe and assistance provided to businesses and industry to stimulate economic recovery.
- Total expenses are projected to grow at an average annual rate of 1.6% over the four years to 2023-24. From 2021-22, revenues grow at a faster rate than expenses.
- General Government expenses are expected to increase $506 million in 2020-21 from the COVID-19 Fiscal and Economic Review (C19-FER) estimate of $64.375 billion largely due to election commitments and further COVID-19 health response measures.
- The government's Savings and Debt Plan will deliver savings of $3 billion over 2020-21 to 2023-24. In 2020-21, $352.2 million of the government's savings target has been realised through a range of measures.
- In 2020-21, the major areas of expenditure are health and education, which together constitute approximately 55.1% of General Government Sector expenses.

This chapter provides an overview of General Government Sector expenses for the forecast 2020-21 Budget year and projections for 2021-22 to 2023-24. The forward estimates are based on the economic projections outlined in Chapter 2.

5.1 2020-21 Budget and outyears

Table 5.1 General Government Sector expenses

	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Employee expenses	25,660	26,470	26,848	27,864	28,962
Superannuation interest costs	354	246	189	184	200
Other superannuation expenses	3,183	3,231	3,238	3,352	3,431
Other operating expenses	17,087	16,956	16,525	16,665	17,252
Depreciation and amortisation	4,033	4,251	4,416	4,580	4,775
Other interest expenses	1,486	1,725	1,790	1,884	1,996
Grants expenses	11,695	12,003	11,801	11,345	11,098
Total Expenses	**63,498**	**64,881**	**64,806**	**65,874**	**67,715**

General Government expenses across 2019-20 to 2023-24 reflect the significant COVID-19 expense measures taken to support business, households and industry through the crisis as outlined in the government's Economic Recovery Plan as well as election commitments to further economic recovery.

General Government Sector expenses of $64.881 billion in 2020-21 represent an increase of $1.383 billion (or 2.2%) over the 2019-20 outcomes. Key initiatives contributing to the growth in expenditure in 2020-21 include:

- *Queensland Health COVID-19 Response Plan* with additional funding to expand community screening, contact tracing, quarantine accommodation, compliance activities associated with COVID-19 Public Health Directions, elective surgery and appointments to reduce backlog, building critical supply reserves of medicine, medical equipment and personal protective equipment, and boosting mental health community treatment and support services.
- Business adaption grants to sustain small business operations and help build resilience in the post-COVID-19 economic recovery.
- Further economic stimulus announced in election commitments to support jobs and economic growth, and to strengthen frontline services. Election commitments include targeted assistance to the Queensland tourism industry, further small business grants, support for local community sporting infrastructure, a Queensland manufacturing package, and strengthening fire services.

In 2020-21 expenses growth has been tempered by savings of $750 million under the government's Savings and Debt Plan.

5.2 Expenses by operating statement category

As outlined in Chart 5.1, the largest expense categories in the General Government Sector in 2020-21 are employee and superannuation expenses (46.2%), followed by other operating expenses (26.1%) that reflect non-labour costs of providing goods and services to government and non-government recipients including transport service contract payments and repairs and maintenance.

Chart 5.1 Expenses by operating statement category, 2020-21

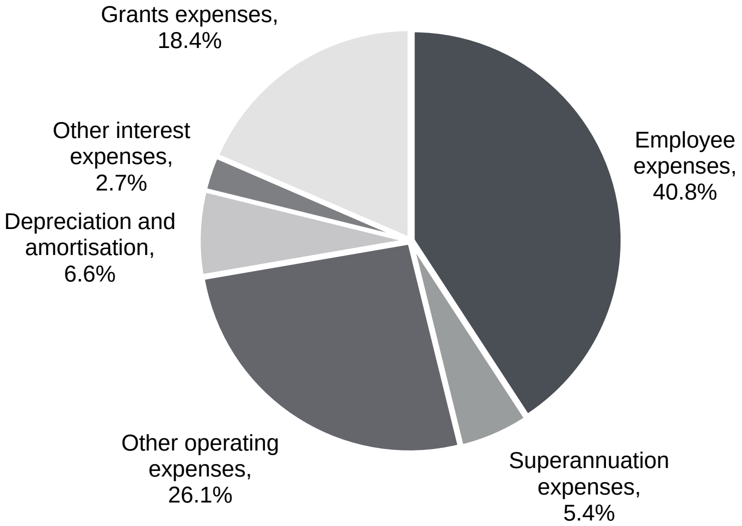
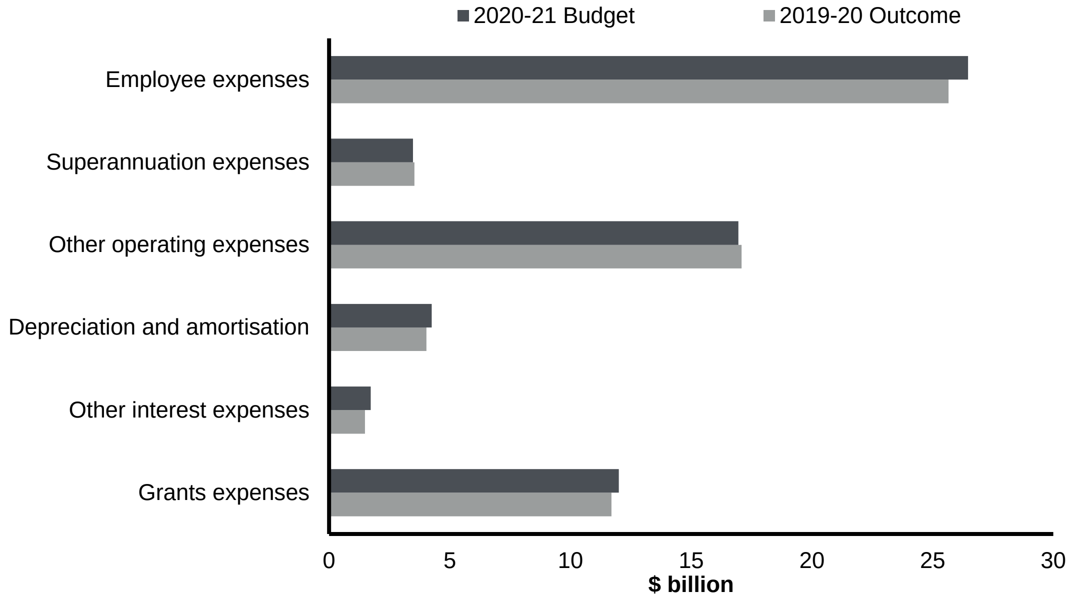


Chart 5.2 identifies the growth in expenses for each operating statement category between the 2019-20 outcomes and the 2020-21 Budget. The largest increase is in employee expenses, which primarily reflects workforce requirements to meet the ongoing demand for frontline hospital and health services and school enrolment growth.

Chart 5.2 Growth in expenses by operating statement category – 2019-20 outcomes to 2020-21 Budget



5.2.1 Employee expenses

Employee expenses include salaries and wages, annual leave and long service leave.

In 2020-21, employee expenses are expected to be $26.47 billion, $810 million or 3.2% higher than the 2019-20 outcomes. This reflects the increase in key frontline service areas of health and education due to demand for health services, and student population growth.

In addition, Queensland Health staff, teachers and police will receive additional leave for their efforts and response to the COVID-19 pandemic. Corrective Services employee expenses also increase in 2020-21 primarily because of two privately operated prisons returning to state run operations and expansion of the Capricornia Correction Centre.

The government has implemented a wage deferral of previously scheduled increases in General Government public sector wages during the 2020-21 financial year to partly offset the impact of its COVID-19 measures. Deferred wage increases will instead be applied six months after scheduled 2021-22 wage increases.

Full-time equivalents

The government is delivering on its commitment to revitalise frontline service delivery. This has contributed to Full Time Equivalents (FTE) increasing 32,203 (or 16.1%) from 2014-15 to 2019-20.

Between March 2015 and September 2020:

- teachers increased by 5,200 (or 12.36%)
- teacher aides increased by 1,628 (or 17.47%)
- nurses increased by 7,853 (or 28.13%)
- health practitioners increased by 1,796 (or 18.17%)
- doctors increased by 2,409 or (30.38%)
- ambulance officers increased by 832 (or 22.44%)
- police officers increased by 745 (or 6.63%)
- firefighters increased by 143 (or 5.95%)

As at September 2020, around 91.25% of public servants were engaged in frontline and frontline support roles.

FTEs are estimated to increase by around 6,168 in 2020-21. The overall average annual growth rate over 2019-20 to 2023-24, based on current estimates, is 1.83%. This compares to an estimated Queensland population growth of 1¼ % annually.

One of the recommendations from the Coaldrake review (discussed further in Box 5.1) was to nuance the representation of Fiscal Principle 6 to expand disclosure to show health and education growth separately from the rest of the sector.

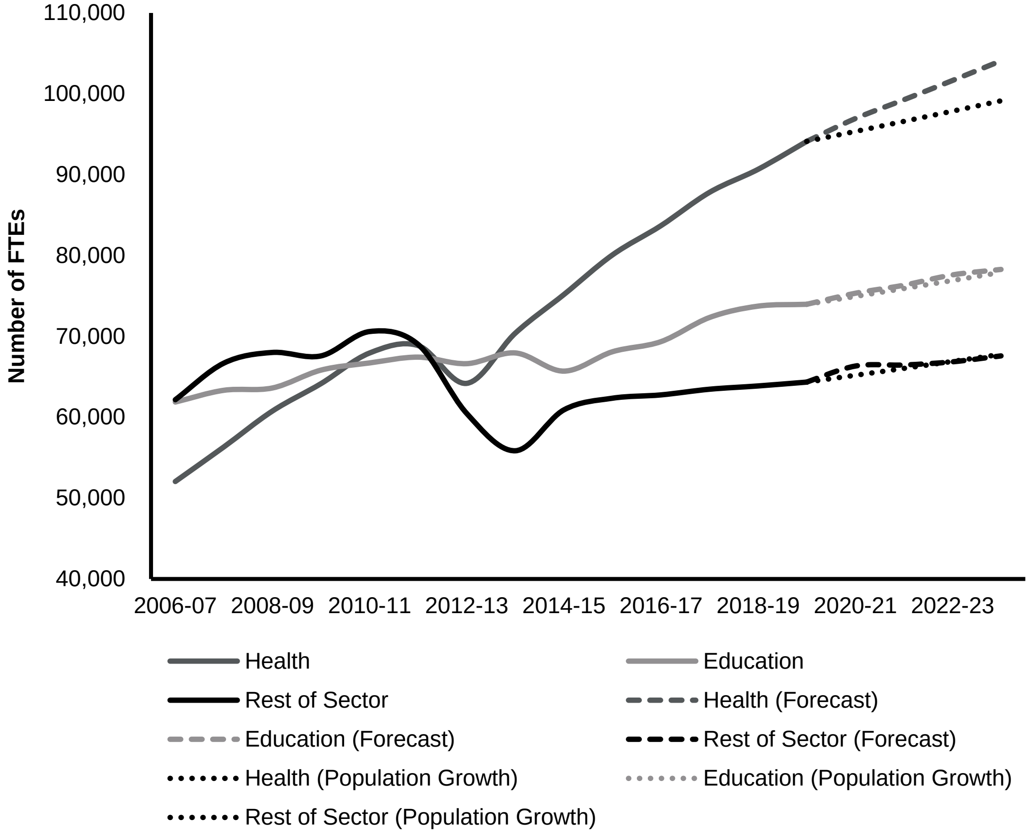
In response, Chart 5.3 shows the breakdown of actual FTE growth from 2006-07 to 2019-20 and estimated FTEs from 2020-21 to 2023-24, with health and education shown separately from the rest of the sector. Estimated FTEs for health, education and rest of sector are compared to forecast population growth.

Chart 5.3 demonstrates the growth in health (including Queensland Ambulance Service (QAS) is expected to be higher than the population growth, though not as strong as in previous years. Commonwealth health funding is based on activity and demand principles, not population growth.

The growth embedded in health and education agreements with the Australian Government is one of the primary drivers of the growth in health and education expenditures and employee numbers, the effects which can be seen in Chart 5.3.

Growth in other agencies is slower, with many remaining relatively flat or declining due to changes in service delivery, for example due to the introduction of the NDIS, as well as the introduction of FTE Caps for 2020-21.

Chart 5.3 Education, Health and Rest of Sector departmental FTEs[1]



Note:
1. 2020-21 to 2022-23 are forecasts.

The government is also committed to ensuring that public service staff are located where they are needed in the community. Around 47% of FTEs are located outside Greater Brisbane, of which around 96% are engaged in frontline and frontline support roles. Regional Action Plans show increases in key service delivery occupations across the regions.

Box 5.1 Public Sector FTE Reporting

The Queensland Government is continuously examining ways to improve the Queensland public sector and its ability to meet the needs of Queenslanders. To ensure the Queensland public sector is the most responsive, consistent and reliable public service possible, the Queensland Government commissioned the *Review into the Queensland Public Sector Workforce Reporting* (Coaldrake Review).

The Coaldrake Review comprised of two stages and three reports and makes 13 recommendations for the government. The government has accepted or accepted in principle all the recommendations, which included:

- adopting a single, authoritative and immediately retrievable workforce database
- replacing the quarterly Workforce Profile Reports with half-yearly reports covering sector wide analysis of trends and other matters as required by government from time to time
- adopting a consistent approach to the reporting and monitoring of the indirect workforce (e.g. contractors and consultants) which supports the Queensland public sector.

In response to these recommendations, the Public Service Commission (PSC) changed its FTE methodology from 1 July 2019 to reduce the inconsistencies in data collections. The FTE collection is now based on “actual placement positions” with the public sector workforce calculated based on where employees are paid, not where their substantive appointment was. In addition, the PSC has changed and enhanced the Workforce Profile Report to provide strategic workforce information on a half-yearly basis.

The *Indirect Workforce Policy: Collection, Monitoring and Reporting* was approved by the PSC Board in September 2020 introducing additional agency quarterly reporting requirements for indirect workforce expenditure. This information will facilitate improved reporting and monitoring of the indirect workforce.

Table 5.2 shows the funded FTE positions by department and includes statutory bodies, commercial business units and other government entities. The staffing tables in the Service Delivery Statements (SDS) show FTEs for the departmental component only. The notes to Table 5.2 identify where differences arise between Table 5.2 and the SDS staffing tables.

The 12 November 2020 machinery of government changes resulted in changes to many Departments. Two separate tables are presented below for the 2019-20 Actuals and the 2020-21 Budget.

Table 5.2 Funded Controlled FTE positions by Department

Pre-machinery of government changes	**2019-20 Actuals**
Aboriginal and Torres Strait Islander Partnerships	293
Agriculture and Fisheries	2,124
Child Safety, Youth and Women	3,384
Communities, Disability Services and Seniors	1,767
Education	73,971
Electoral Commission of Queensland	76
Employment, Small Business and Training[1]	4,501
Environment and Science[2]	2,992
Housing and Public Works	5,356
Justice and the Attorney General	3,455
Local Government, Racing and Multicultural Affairs	174
Natural Resources, Mines and Energy	2,469
Office of the Inspector-General Emergency Management	22
Premier and Cabinet	457
Public Safety Business Agency	1,098
Public Service Commission	60
Queensland Audit Office	190
Queensland Corrective Services	5,499
Queensland Fire and Emergency Services	3,358
Queensland Health[3]	94,117
Queensland Police Service	15,580
Queensland Treasury	1,187
Regional Development and Manufacturing[4]	1
State Development, Tourism and Innovation	861
The Public Trustee of Queensland	600
Transport and Main Roads[5]	7,333
Youth Justice	1,511
Total	**232,436**

Notes:
1. The Employment, Small Business and Training figure includes FTEs for the Department of Employment, Small Business and Training of 577 and TAFE 3,924.
2. The Environment and Science figure includes FTEs for the Department of Environment and Science of 2,922 and Corporate Administration Agency of 70.
3. The Health figure includes FTEs for Health (including HHSs) of 89,227 and Queensland Ambulance Service 4,890.
4. The Department of Regional Development and Manufacturing also had 38 FTEs seconded in from the former Department of State Development, Tourism and Innovation.
5. The Transport and Main Roads figure includes FTEs for the Department of Transport and Main Roads of 6,054 and RoadTek of 1,279.

Post-machinery of government changes	2020-21 Budget[1]
Agriculture and Fisheries	2,115
Children, Youth Justice and Multicultural Affairs	5,105
Communities, Housing and Digital Economy[2]	3,958
Education	75,334
Electoral Commission of Queensland	76
Employment, Small Business and Training[3]	4,542
Energy and Public Works[4]	1,704
Environment and Science	2,867
Justice and the Attorney General	3,660
Office of the Inspector-General Emergency Management	22
Premier and Cabinet	457
Public Safety Business Agency	1,134
Public Service Commission	63
Queensland Audit Office	191
Queensland Corrective Services	6,245
Queensland Fire and Emergency Services	3,516
Queensland Health [5, 6]	96,939
Queensland Police Service	15,841
Queensland Treasury	1,111
Regional Development, Manufacturing and Water	423
Resources	1,668
Seniors, Disability Services, and Aboriginal and Torres Strait Islander Partnerships	2,030
State Development, Infrastructure, Local Government and Planning	1,034
The Public Trustee of Queensland	637
Tourism, Innovation and Sport	420
Transport and Main Roads[7]	7,512
Total	**238,604**

Notes:
1. The 2020-21 Budget reflects machinery of government changes.
2. The Communities, Housing and Digital Economy figure of 3,958 includes FTEs for the Department of Communities, Housing and Digital Economy of 2,760, CITEC of 300, Queensland Shared Services of 824 and Corporate Administration Agency of 74.
3. The Employment, Small Business and Training figure includes FTEs for the Department of Employment, Small Business and Training of 588 and TAFE 3,954.
4. The Energy and Public Works figure of 1,704 includes FTEs for the Department of Energy and Public Works of 387, QFleet 39 and QBuild of 1,278.

5. Following a change in policy from 1 June 2020, all non-contractual staff are now accounted for under the Department of Health rather than the HHSs. Most of the forecast increase will occur within the Hospital and Health Services which make up of approximately 86% of Queensland Health's total FTEs, to support the delivery of health care services and achieve performance targets in relation to patient care. Growth will also occur in the Queensland Ambulance Service and Pathology Queensland due to increased demand and services relating directly to patient care. The Department of Health will also increase its workforce through additional temporary FTEs required to establish the Queensland Government Critical Supply Reserve. It is noted all COVID-19 specific temporary FTEs are excluded from the calculation of the FTE cap and will continue to be reported separately as a variance.
6. The Queensland Health figures include FTEs for Health (including HHSs) of 92,091 and Queensland Ambulance Service of 4,848.The Energy and Public Works figure of 1,704 includes FTEs for the Department of Energy and Public Works of 387, QFleet 39 and QBuild of 1,278.
7. The Transport and Main Roads figures include FTEs for the Department of Transport and Main Roads of 6,233 and RoadTek of 1,279.

5.2.2 Superannuation expenses

The superannuation interest cost represents the imputed interest on the government's accruing defined benefit superannuation liabilities.

In determining the state's defined benefit superannuation liabilities, AASB 119 *Employee Benefits* requires the discounting of future benefit obligations using yield rates on government bonds net of investment tax. Interest costs are calculated on a net liability approach by applying the discount rate to both the gross liability and superannuation plan assets.

Superannuation interest costs are dependent on the applicable discount rates at the beginning of the year. Rates declined in 2019-20 comparative to 2018-19 and are expected to remain subdued across the forward estimates, resulting in lower superannuation interest costs in 2020-21 and across the remaining forward estimates. The defined benefit scheme, which is closed to new members and subject to interest rate fluctuations, will decline over time as members leave.

Other superannuation expenses represent employer superannuation contributions to accumulation superannuation and the current service cost of the state's defined benefit obligation (or the increase in the present value of the defined benefit obligation resulting from employee service in the current period).

5.2.3 Other operating expenses

Other operating expenses comprise the non-labour costs of providing goods and services, including services to government and non-government organisations, repairs and maintenance, consultancies, contractors, electricity, communications and marketing.

In 2020-21, other operating expenses are expected to be $16.956 billion, a decrease of $132 million, or 0.8%, lower compared to the 2019-20 outcomes.

Initiatives under the *Queensland Health COVID-19 Response Plan* and the Cross River Rail project increase other operating expenses significantly in 2020-21 comparative to the 2019-20 Outcome. However, this growth in expenditure is more than offset by the largely one-off provisioning in 2019-20 for historical serious physical child abuse following the removal of the limitation period for civil claims and an increase in expected historical child sexual abuse.

In 2020-21, the moderate decline in other operating expenses also reflects nearly $400 million in utility assistance to households as part of the government's immediate stimulus package in 2019-20 and Department's allocated savings targets under the government's Savings and Debt Plan in 2020-21.

5.2.4 Depreciation and amortisation

Depreciation and amortisation expenses is an estimate of the progressive consumption of the state's assets through normal usage, wear and tear and obsolescence. Growth in this expense category primarily reflects asset revaluations and the increasing investment in state infrastructure.

Depreciation expenses have increased in all years of the forward estimates as the General Government capital program rolls out

5.2.5 Other interest expenses

Other interest expenses include interest paid on borrowings, finance leases and similar arrangements to acquire capital assets and infrastructure such as roads and government buildings.

Other interest expenses are estimated to increase $238 million in 2020-21 to $1.725 billion compared to $1.486 billion in 2019-20.

Interest costs have risen due to the COVID-19 support and recovery measures and lower cash inflows for GST, royalties and taxes increasing General Government borrowings.

However, interest expenses across the forward estimates remain below the recent peak of $2.328 billion in 2014-15.

5.2.6 Grants expenses

Current grants include grants and subsidies to the community (such as non-state schools, hospitals, benevolent institutions and local governments) and personal benefit payments. Community Service Obligations (CSOs) are provided where Public Non-financial Corporations (PNFCs) are required to provide non-commercial services or services at non-commercial prices for the benefit of the community (for further details refer to Chapter 8).

Capital grants represent transfers to the PNFC Sector, local governments, not-for-profit institutions and other non-government entities, such as business and households (including the Queensland First Home Owners' Grant and non-state schools) for capital purposes.

Table 5.3 provides a breakdown of grants by category and recipient type.

Table 5.3 Grant expenses[1]

	2019-20 Outcome $ million	2020-21 Budget $ million
Current		
Grants to local government	696	605
Grants to private and not-for-profit organisations		
State funding for non-state schools	712	757
Australian Government funding for non-state schools	3,152	3,068
Other	2,299	2,172
Grants to other sectors of government		
Community service obligations to PNFCs	508	475
Other payments to PNFCs	51	43
Other (includes payments to NDIA)	1,579	2,013
Other	968	632
Total current grants	**9,964**	**9,764**
Capital		
Grants to local government	1,070	1,330
State funding for non-state schools	100	101
Grants to private and not-for-profit organisations	430	657
Payments to PNFCs	33	20
Queensland First Home Owners' Grants	96	129
Other	2	2
Total capital grants	**1,731**	**2,238**
Total current and capital grants	**11,695**	**12,003**

Note:

1. Numbers may not add due to rounding

In response to the COVID-19 pandemic the government has provided significant stimulus and economic recovery packages to households, business and industry increasing grants expenses considerably in 2019-20 and 2020-21.

In 2019-20, grants expenses totalled $11.695 billion. Immediate stimulus was provided to businesses through payroll tax and land tax rebates as part of tax relief measures and electricity rebates for small businesses.

In 2020-21, total grant expenses are estimated to be $12.003 billion, $308 million higher than 2019-20.

COVID-19 pandemic recovery measures increasing grants expenses in 2020-21 include:

- The COVID Works for Queensland program to support jobs and provide economic stimulus to local economies.
- Small business grants to sustain and build businesses in Queensland.

- Support for workers and jobseekers, including the JobTrainer Fund, Hydrogen Apprenticeship Centre, Renewable Energy Training Facility in South East Queensland and extension of the Back to Work program.
- Financial assistance to the tourism sector including funding to grow tourism infrastructure, Queensland tourism icon projects, backing regional tourism and support for the aviation industry.
- Grants for local community sporting infrastructure.

Grants are also higher in 2020-21 due to the introduction of the Resource Community Infrastructure Fund, disaster-related grants to local councils and primary producers and payments to local councils for the Queensland waste levy.

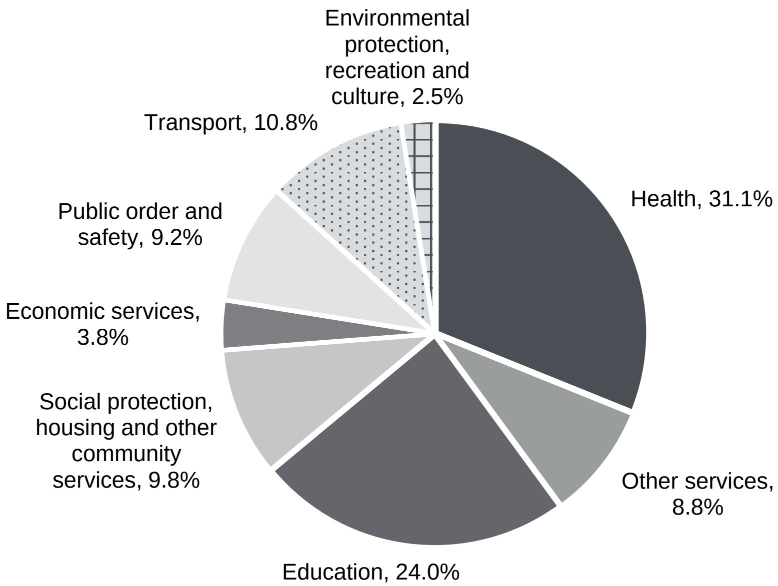
As mentioned above, rebates of land tax, payroll tax and electricity costs made to businesses in 2019-20 partially offset the increase in COVID-19 recovery measures in 2020-21. Furthermore, the Australian Government again made advance payment of the 2020-21 Financial Assistance Grants to local councils in 2019-20.

5.3 Operating expenses by purpose

Chart 5.4 indicates the proportion of expenditure by major purpose classification for the 2020-21 Budget. Health accounts for the largest share of expenses (31.1%) followed by Education (24%).

The COVID-19 pandemic has resulted in a significant increase in health expenditure in 2020-21, increasing the function's relative percentage of total General Government expenses comparative to most other expenditure classification by purpose.

Chart 5.4 General Government Sector expenses by purpose, 2020-21



5.4 Departmental expenses

Data presented in Tables 5.4 and 5.5 provide a summary drawn from financial statements contained in the Service Delivery Statements (SDS). Further information can also be obtained from departmental SDS.

Table 5.4 Departmental controlled expenses[1]

	2019-20 Outcome $000	2020-21 Budget $ 000
Aboriginal and Torres Strait Islander Partnerships[2]	64,123	21,089
Agriculture and Fisheries	600,460	556,493
Children, Youth Justice and Multicultural Affairs[3]	N/A	1,735,041
Communities, Housing and Digital Economy[3]	N/A	2,177,045
Education	10,050,111	10,292,349
Electoral Commission of Queensland	65,374	96,095
Employment, Small Business and Training	1,107,513	1,463,902
Energy and Public Works[3]	N/A	531,128
Environment and Science	831,602	897,835
Health Consolidated[4]	19,455,763	20,199,251
Inspector General Emergency Management	4,608	4,722
Justice and Attorney-General	641,011	758,175
Legislative Assembly	103,397	104,371
Office of the Governor	7,263	7,440
Office of the Ombudsman	9,154	9,467
Premier and Cabinet	106,750	117,514
Public Safety Business Agency	413,060	322,598
Public Service Commission	14,392	14,321
Queensland Audit Office	43,750	44,957
Queensland Corrective Services	1,013,641	1,058,207
Queensland Fire and Emergency Services	818,120	800,737
Queensland Police Service	2,483,420	2,507,205
Queensland Treasury	270,246	467,862
Regional Development, Manufacturing and Water[3]	N/A	123,852
Resources	N/A	403,399
Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships[3]	N/A	375,549
State Development, Infrastructure, Local Government and Planning[3]	N/A	582,699
The Public Trustee of Queensland	95,209	92,335
Tourism, Innovation and Sport[3]	N/A	494,626
Transport and Main Roads	6,323,132	6,702,237
Youth Justice[2]	260,954	96,277

Notes:

1. Total expenses by department do not equate to total General Government expenses in Uniform Presentation Framework (UPF) terms reported elsewhere in the Budget Papers as General Government expenses include a wider range of entities including State Government statutory authorities. In addition, transactions eliminated between entities within the General Government Sector are excluded in the preparation of whole-of-government UPF financial statements.
2. Department was abolished on the 12 November 2020 as part of machinery of government changes.
3. As a result of machinery of government changes there is no corresponding agency representative to show 2019-20 Outcomes and as such this column is shown as N/A. 2019-20 Annual Reports for all state departments have been published.
4. This represents Health Consolidated in the Service Delivery Statement, which consolidates Queensland Health controlled, the Hospital and Health Services, and Queensland Ambulance Service.

Table 5.5 Departmental administered expenses[1]

	2019-20 Outcome $ 000	2020-21 Budget $ 000
Aboriginal and Torres Strait Islander Partnerships[2]	10,341	2,274
Agriculture and Fisheries	108,324	235,144
Children, Youth Justice and Multicultural Affairs[3]	N/A	4,827
Communities, Housing and Digital Economy[3]	N/A	137,850
Education	4,069,243	4,113,649
Electoral Commission of Queensland	188	..
Energy and Public Works[3]	N/A	264,517
Environment and Science	154,769	75,822
Health Consolidated[4]	34,474	69,300
Justice and Attorney-General	414,713	495,518
Premier and Cabinet	116,967	157,066
Queensland Police Service	739	725
Queensland Treasury	6,536,127	6,998,419
Regional Development, Manufacturing and Water[3]	N/A	26,481
Resources[3]	N/A	264,524
Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships[3]	N/A	2,444,258
State Development, Infrastructure, Local Government and Planning[3]	N/A	725,547
The Public Trustee of Queensland	972	680
Tourism, Innovation and Sport[3]	N/A	128,766
Transport and Main Roads	579	71,899

Notes:

1. Total expenses by department do not equate to total General Government expenses in Uniform Presentation Framework (UPF) terms reported elsewhere in the Budget Papers as General Government expenses include a wider range of entities including State Government statutory authorities. In addition, transactions eliminated between entities within the General Government Sector are excluded in the preparation of whole-of-government UPF financial statements.
2. Department was abolished on the 12 November 2020 as part of machinery of government changes.
3. As a result of machinery of government changes there is no corresponding agency representative to show 2019-20 and as such this column is shown as N/A. 2019-20 Annual Reports for all state departments have been published.
4. This represents Health Consolidated in the Service Delivery Statement, which consolidates Queensland Health controlled, the Hospital and Health Services, and Queensland Ambulance Service.

6 Balance sheet and cash flows

Features

- Total borrowing at 30 June 2020 for the General Government Sector and Non-financial Public Sector (NFPS) was $44.267 billion and $84.96 billion respectively, in line with the projections in the 2020-21 COVID-19 Fiscal and Economic Review (C19-FER).
- In 2020-21, total borrowing for the General Government Sector is forecast to be $61.263 billion, comprising $53.501 billion in borrowing with QTC and $7.762 billion in leases and other similar arrangements and securities and derivatives. NFPS total borrowing for 2020-21 is projected to be $102.22 billion, with $93.467 billion of borrowing with QTC, $8.033 billion of leases and other similar arrangements and $720 million of securities and derivatives.
- As the government implements the Economic Recovery Plan in response to the coronavirus (COVID-19) pandemic, borrowing will continue to increase across the forward estimates.
- In the C19-FER, the government committed to maintaining a $51.8 billion infrastructure investment program. The total capital program for this 2020-21 Budget is $56.031 billion.
- The Non-financial Public Sector capital program for the period 2020-21 to 2023-24 comprises $45.373 billion of purchases of non-financial assets (PNFA) and $6.98 billion of capital grant expenses as well as acquisitions of non-financial assets under finance leases and similar arrangements of $3.678 billion.
- As the state recovers from the pandemic, positive NFPS operating cash flows of $11.618 billion projected from 2021-22 to 2023-24 will contribute to the deployment of the record capital program by partially funding $34.342 billion of PNFA over the same period.
- Non-financial assets and other liabilities will increase significantly from 2019-20 to 2020-21 due to the first-time adoption of the new accounting standard AASB 1059 *Service Concession Arrangements*. This adjustment does not have any economic impact on the state's finances.

6.1 Context

The balance sheet shows the projected assets, liabilities and net worth of the General Government Sector as at 30 June each financial year. The government's ability to respond to the financial and economic pressures brought about by the COVID-19 pandemic reinforces the importance of a strong and flexible balance sheet, with the capacity to deal with such crises and to provide a strong foundation for economic recovery and future economic growth.

The cash flow statement shows the expected cash flows of the General Government Sector during each financial year of the forward estimates. The main difference between the accrual operating statement and the cash flow relates to the timing of cash payments and receipts and their recognition in accrual terms, and the inclusion of non-cash expenses and revenues.

The largest differences between accrual accounting and cash flows are in relation to depreciation and defined benefit superannuation. Differences due to the timing of receipt or payment of amounts are recorded as either a receivable or payable in the balance sheet.

6.2 Balance sheet

Table 6.1 provides a summary of the key balance sheet aggregates for the General Government Sector.

Table 6.1 General Government Sector: summary of budgeted balance sheet[1]

	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Financial assets	58,278	63,745	64,446	66,700	68,558
Non-financial assets	230,207	242,503	248,653	254,271	259,174
Total assets	**288,485**	**306,247**	**313,099**	**320,971**	**327,732**
Borrowings with QTC	37,570	53,501	64,525	73,924	80,653
Leases and similar arrangements	6,499	7,565	7,408	7,484	7,768
Securities and derivatives	198	198	198	198	198
Total borrowing	**44,267**	**61,263**	**72,130**	**81,605**	**88,619**
Advances	1,845	1,506	1,333	1,196	1,324
Superannuation liability	27,808	27,475	26,784	25,583	22,859
Other provisions and liabilities	20,834	24,464	23,699	23,600	23,240
Total liabilities	**94,754**	**114,708**	**123,947**	**131,985**	**136,042**
Net worth	**193,731**	**191,539**	**189,152**	**188,987**	**191,689**
Net financial worth	**(36,476)**	**(50,963)**	**(59,500)**	**(65,285)**	**(67,484)**
Net financial liabilities	**58,036**	**72,815**	**82,389**	**89,072**	**92,231**
Net debt	**14,046**	**25,499**	**35,511**	**44,228**	**50,782**

Note:
1. Numbers may not add due to rounding

6.2.1 Financial assets

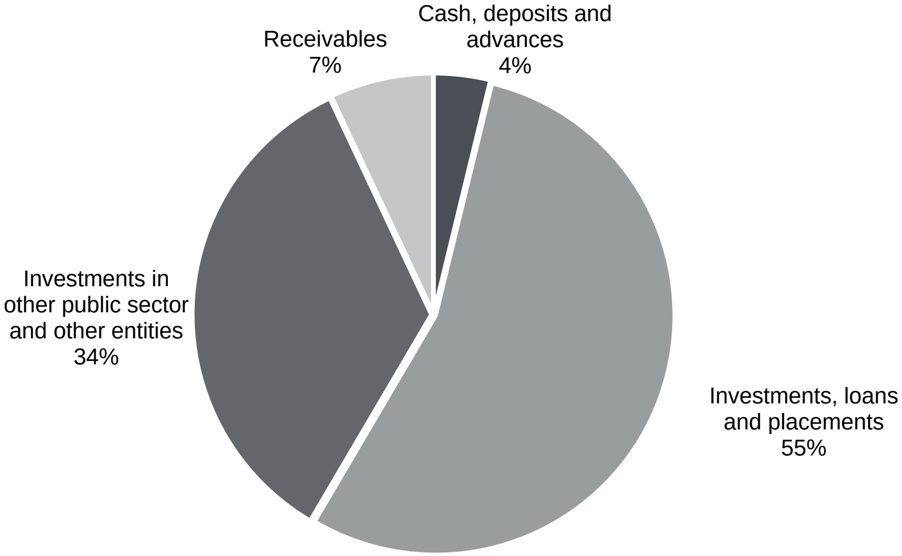
The General Government Sector holds the equity of the state's public enterprises, principally the shareholding in government-owned corporations (GOCs) but also Public Financial Corporations like Queensland Treasury Corporation (QTC), in much the same manner as the parent or holding company in a group of companies.

The estimated investment in public enterprises is included in the General Government Sector's financial assets. Other material financial assets include investments, loans and placements which incorporate investments held to meet future liabilities including superannuation and insurance, as well as investments relating to the Queensland Future Fund (QFF) established in August 2020 as part of the government's Savings and Debt Plan.

Total financial assets of $58.278 billion were held on the balance sheet at 30 June 2020 in line with expectations published in the C19-FER. Financial assets are expected to increase to $63.745 billion by 30 June 2021, an increase of $5.467 billion, mainly due to the seed funding for the QFF's first sub-fund, the Debt Retirement Fund (DRF), which will be offset against the state's debt for credit rating agency metrics. Financial assets will continue to grow over the forward estimates and are projected to be $68.558 billion by 30 June 2024.

Chart 6.1 shows forecast General Government Sector financial assets by category at 30 June 2021.

Chart 6.1 Forecast General Government Sector financial assets by category, at 30 June 2021



6.2.2 Non-financial assets

General Government Sector non-financial assets were $230.207 billion at 30 June 2020, in line with expectations published in the C19-FER.

Non-financial assets will increase by $12.296 billion during 2020-21 to be $242.503 billion at 30 June 2021. Part of this increase is attributed to the first-time adoption of AASB 1059 *Service Concession Arrangements.*

Service concession arrangements (SCAs) are agreements where an operator (private sector) is contracted to provide or operate an asset on behalf of the grantor (public sector) of the arrangement. The grantor will typically have a social or community obligation to provide the services delivered to the community. AASB 1059 requires the grantor to recognise SCAs over their economic life and to recognise a matching liability (refer to section 6.2.3 Liabilities below).

Total non-financial assets of $6.5 billion were recognised in 2020-21 on the initial adoption of AASB 1059.

Total non-financial assets at 30 June 2021 consist primarily of land and other fixed assets of $235.537 billion, the majority of which are roads, schools, hospitals and other infrastructure used to provide services to Queenslanders. Other non-financial assets of $6.965 billion held by the state include prepayments and deferred income tax assets relating to GOCs.

General Government Sector capital expenditure for 2020-21 is forecast to be $9.81 billion, which comprises $7.572 billion of PNFA and $2.238 billion of capital grant expenses. In addition, acquisitions of non-financial assets under finance leases and similar arrangements are forecast to be $1.571 billion, bringing the total General Government Sector capital program for 2020-21 to $11.381 billion.

This is $814 million higher than the 2019-20 MYFER, predominantly due to higher capital grant expenses to local government and industry including over $324 million for COVID-19 response and economic recovery, $142 million for disaster recovery and resilience, and $66 million for grants in relation to the Resource Community Infrastructure Fund.

Over the four years to 2023-24, General Government Sector capital expenditure is forecast to be $38.619 billion, which comprises $31.549 billion of PNFA and $7.07 billion of capital grant expenses. Acquisitions of non-financial assets under finance leases and similar arrangements are forecast to be $3.647 billion, bringing the total General Government Sector capital program over the period to $42.266 billion.

The finance leases and similar arrangements are mainly in relation to Public Private Partnerships, totalling more than $4.9 billion over the period 2019-20 to 2023-24, including for: the Tunnel, Stations and Development components of Cross River Rail (including returned works); the Surgical, Treatment and Rehabilitation Service (STARS) facility at Herston; and New Generation Rollingstock.

Generally, at the commencement of finance leases, the non-financial assets and the borrowings of the state increase by an equal amount to reflect the acquisition of the asset from the proponent so there are no cash impacts on the commencement of the lease.

As part of Queensland’s Economic Recovery Plan, the government had committed to maintaining the state infrastructure program at $51.8 billion over the four years to 2022-23.

The current estimate of the capital program over the four years to 2023-24 is now over $56 billion, the largest 4-year capital spend in over a decade. Purchases of non-financial assets by the NFPS over this period are forecast to be $45.373 billion. With capital grant expenses of $6.98 billion, this brings total capital expenditure to $52.353 billion. In addition to this, acquisitions of non-financial assets under finance leases and similar arrangements of $3.678 billion bring the total capital program over the period to $56.031 billion.

As part of the Economic Recovery Plan, capital projects have been fast tracked to immediately support construction jobs and invest in infrastructure that supports Queensland’s recovery, resilience and future economic growth.

6.2.3 Liabilities

General Government Sector

Total General Government Sector liabilities were $94.754 billion at 30 June 2020, an increase of $2.113 billion since the C19-FER, predominantly due to year end actuarial adjustments to superannuation and other employee benefit liability estimates.

Total liabilities are expected to increase by $19.954 billion by 30 June 2021 to be $114.708 billion. General Government Sector borrowing with QTC will increase by $15.931 billion in 2020-21 and steadily grow as the government continues to support Queensland's economic recovery and growth post COVID-19. By 2023-24, total borrowings, including borrowing with QTC, leases and other similar arrangements and securities and derivatives, are expected to reach $88.619 billion. In addition, as discussed above under section 6.2.2, the first-time adoption of AASB 1059 *Service Concession Arrangements* accounts for most of the increase in the other provisions and liabilities.

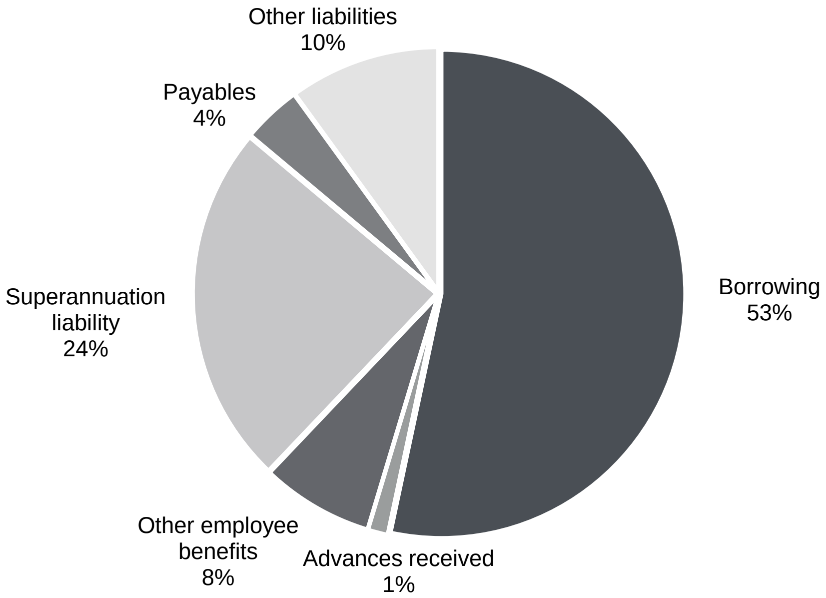
Predominantly due to the impact of the COVID-19 pandemic and election commitments, by 2022-23 General Government Sector borrowing with QTC is expected to be $30.813 billion higher than expected at 2019-20 MYFER.

Revenue write downs in excess of $12 billion and the government's pandemic response, economic recovery measures and election commitments totalling more than $9 billion are the major contributors to this increase. Increases in borrowing since MYFER also arise from non-COVID-19-related decisions, the reinstatement of defined benefit superannuation contributions from 2020-21, and the planned repatriation of $2 billion in surplus defined benefit superannuation investments no longer being allocated to repay debt. Instead, $1 billion of the defined benefit fund surplus has been redirected to the QFF. The Defined Benefit Fund remains in surplus over the forward estimates and all benefits remain guaranteed by legislation.

The defined benefit superannuation liability is projected to be $27.475 billion at 30 June 2021, a $333 million decrease on the 2019-20 outcome. The state's defined benefit fund has been closed to new entrants since 2008. Given the age profile of the employees still in that fund, retirements are also increasing. Accordingly, the state's superannuation liability continues to decline over the forward estimates, although at a slower pace than expected at the time of the 2019-20 MYFER mainly because of more subdued bond rate recovery over the forward estimates.

The composition of the General Government Sector's forecast liabilities at 30 June 2021 is illustrated in Chart 6.2.

Chart 6.2 Forecast General Government Sector liabilities by category, at 30 June 2021



Non-financial Public Sector borrowing

The NFPS is a consolidation of the General Government and the PNFC sectors, with transactions between these sectors eliminated.

PNFC debt is primarily held by government-owned corporations and is supported by income-generating assets including key pieces of economic infrastructure.

NFPS borrowing with QTC of $93.467 billion is expected for 2020-21, in line with expectations at the C19-FER, and reflecting the increase in borrowings in the General Government Sector.

By 30 June 2024, NFPS borrowing with QTC is expected to reach $121.039 billion. With leases and other similar arrangements of $8.135 billion and securities and derivatives of $549 million, total NFPS borrowing is expected to be $129.723 billion by 30 June 2024.

6.2.4 Net financial liabilities

Net financial liabilities are total liabilities less financial assets, other than equity investments in other public sector entities. This measure is broader than net debt as it includes other significant liabilities, rather than just borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements).

The net financial liabilities of the General Government Sector at 30 June 2020 were $58.036 billion and are estimated to increase to $72.815 billion by 30 June 2021. The increase is commensurate with the increase in borrowing with QTC and the increase in other liabilities, because of the first-time adoption of AASB 1059 discussed above, offset by increases to Investments, loans and placements, predominantly because of the seed funding for the DRF.

Net financial liabilities increase across the forward estimates as borrowings are secured to fund the state's economic recovery following the impact of the COVID-19 pandemic.

6.2.5 Net worth

The net worth, or equity, of the state is the amount by which the state's assets exceed its liabilities. This is the value of the investment held on behalf of the people of Queensland by public sector entities.

Changes in the state's net worth occur for several reasons including:

- operating surpluses (deficits) that increase (decrease) the government's equity
- revaluation of assets and liabilities as required by accounting standards
- movements in the net worth of the state's investments in the PNFC and Public Financial Corporations sectors
- gains or losses on disposal of assets. Where the selling price of an asset is greater (less) than its value in an agency's accounts, the resultant profit (loss) affects net worth.

6.2.6 New accounting standards

As referred to above, AASB 1059 *Service Concession Arrangements* applies to public sectors in Australia from 1 July 2020 and has significantly impacted on the state's balance sheet, increasing assets and liabilities.

The State, as a grantor, has recognised an asset and matching liability included in other liabilities. The adoption of this new standard has been included in the 2020-21 Budget in relation to transactions the State has previously entered into, such as the granting of concessions on the Gateway and Logan Motorways, Airport Link Tunnel and Port Drive, where the State has recognised an infrastructure asset (included in land and other fixed assets on the balance sheet) and unearned revenue (included in other liabilities on the balance sheet).

Other transactions such as Gold Coast Light Rail and Toowoomba Second Range Crossing are already on the state's balance sheet.

6.3 Cash flows

The cash flow statement provides the cash surplus (deficit) measure which is comprised of the net cash flows from operating activities plus the net cash flows from investments in non-financial assets (or physical capital).

The General Government Sector cash deficit for 2019-20 of $6.241 billion was $3.172 billion higher than forecast at the time of the 2019-20 MYFER, largely due to the government's COVID-19 response.

After net investments in non-financial assets of $7.316 billion, a cash deficit of $13.898 billion is forecast for 2020-21 in line with expectations at C19-FER. As revenues improve with the projected economic recovery, net cash flows from operating activities increase over the forward estimates, contributing to the government's investment in non-financial assets and alleviating the need to borrow 100% for these investments.

Net cash flows from investments in financial assets for policy purposes include net cash flows from disposal or return of equity, net equity injections into GOCs and concessional loans and advances. Cash flows from the injection of equity to the PNFC Sector and Public Financial Corporations Sector are the primary driver of net outflows of $742 million over the period from 2020-21 to 2023-24.

Net cash flows from investments in financial assets for liquidity purposes represent net investment in financial assets to cover liabilities such as superannuation, other employee entitlements and insurance, as well as drawdowns from the redraw facility, which was fully drawn down in 2019-20.

Total General Government Sector PNFA of $7.572 billion are budgeted for 2020-21 and, over the period from 2020-21 to 2023-24, PNFA are expected to total $31.548 billion in the General Government Sector as Queensland implements the Economic Recovery Plan to support jobs and invest in infrastructure that supports the state's recovery and future economic growth.

7 Intergovernmental financial relations

Features

- Australian Government payments comprise approximately 49.7% of all of Queensland's General Government revenue. Of these payments, Queensland's share of GST is especially important to funding services to Queenslanders. But it is a volatile revenue source. For example, Queensland received $15.032 billion in 2017-18, which is expected to fall to $12.701 billion in 2020-21.
- The Australian Government's broad revenue base, whereby they collect some 70% of all government revenue in the nation, means they are relatively well positioned to undertake and fund economic stimulus measures.
- The Australian Government estimates it will provide the Queensland Government with $27.969 billion in 2020-21 ($1.557 billion more than in 2019-20), comprising:
  - $15.268[4] billion in payments for specific purposes ($1.617 billion more than 2019-20)
  - $12.701 billion in payments for general purposes ($60 million less than 2019-20).
- Payments for specific purposes in 2020-21 comprise:
  - $5.469 billion for National Health Reform funding
  - $5.102 billion for Quality Schools funding[5]
  - $4.055 billion for National Partnership payments (Infrastructure Investment Program, Disaster Recovery Funding Arrangements and COVID-19 response payments)
  - $328 million for National Housing and Homelessness funding
  - $315 million for National Specific Purpose Payments (National Skills and Workforce Development).
- Several Commonwealth payments require matched funding or significant State Government contributions, which reduces budget flexibility for all states[6].
- Payments to Queensland for specific purposes will be higher in 2020-21 primarily due to:
  - Coronavirus (COVID-19) management and economic response initiatives (COVID-19 public health response, legal assistance and infection control training)
  - Additional funding for priority road projects
  - Back payment of DisabilityCare Australia Fund
  - Additional funding for Remote Indigenous Housing
  - New funding for skills and workforce training (JobTrainer Fund)

[4] Total payments for specific purposes may not add due to rounding.

[5] Quality Schools funding includes payments for government schools (exclusive of GST) and non-government schools (inclusive of GST).

[6] Australian Government payments for specific purposes may not fully fund all underlying programs. Some require States to provide matched contributions (e.g. Improving Great Artesian Basin Drought Resilience) or other, significant financial or in-kind contributions (e.g. Disaster Risk Reduction).

- Queensland matches the Australian Government's contributions for some COVID-19 initiatives, including the COVID-19 public health response, JobTrainer Fund and the National Infection Control Training Fund.
- Payments for general purposes only include GST revenue. In 2020-21, Queensland expects to receive $12.701 billion of GST revenue, $60 million (0.5%) less than in 2019-20.
- Queensland currently has 11 non-infrastructure funding agreements due to expire in 2020-21. The Australian Government has not provided any early indication of extending these agreements beyond 2020-21, except for Essential Vaccines. Longer term funding commitments are preferable, as they allow for more effective planning and service delivery.
- The Queensland Government provides considerable assistance to local governments, recognising the important services they provide to the community. A number of grant programs are specific to Indigenous councils, recognising the higher cost of providing services in remote locations.
- The government has increased funding for the Works for Queensland program, from $600 million to $800 million over eight years. In addition, to assist councils respond to the effects of COVID-19, the government introduced a COVID Works for Queensland program of $200 million for all councils in Queensland, plus $100 million for a similar program to Southeast Queensland councils, which are not eligible for Works for Queensland funding.

7.1 Federal financial arrangements

National governance

In May 2020, the Australian Government and state and territory governments agreed to new national governance arrangements, including reforming the Council of Australian Governments as a new National Federation Reform Council (NFRC).

First Ministers will continue meeting as a National Cabinet and Treasurers will continue to meet as the Council on Federal Financial Relations (CFFR). Under the new arrangements, CFFR is confirmed as having responsibility for federal financial relations and has an expanded role in overseeing all funding agreements (see Box 7.1 Federation funding agreements).

Vertical fiscal imbalance

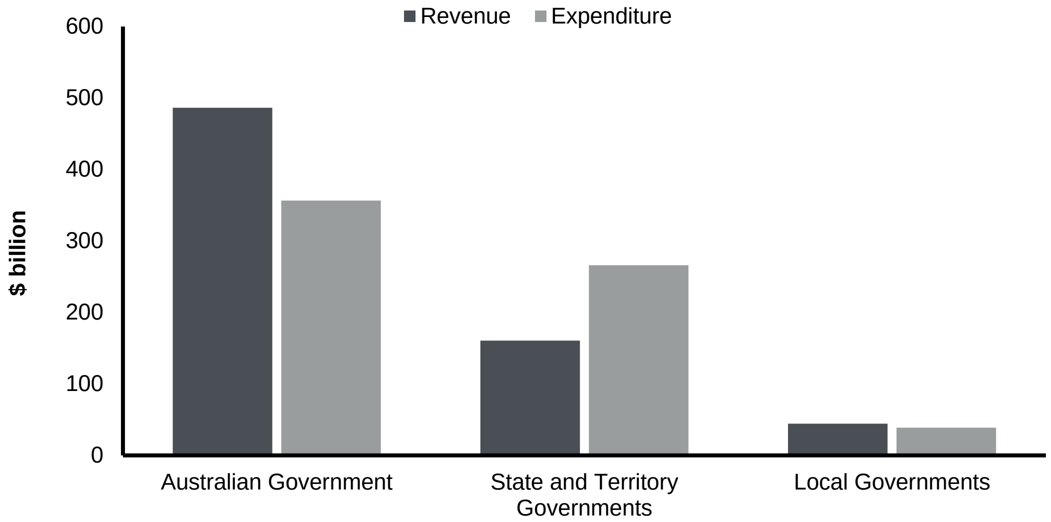
Federal financial relations in Australia are characterised by different levels of government sharing responsibility for raising revenue and delivering services to communities.

The Australian Government raises more revenue than is required to meet its service delivery responsibilities. Conversely, state and territory governments' (states)[7] ability to raise revenue is less than required to meet their service delivery and infrastructure responsibilities. This is called vertical fiscal imbalance (VFI) and requires the sharing of revenue between the Australian Government and states.

[7] States refers to states and territories unless otherwise specified.

In 2018-19, the Australian Government collected the majority of revenues (70.4%), while states collected 23.2% and local governments the remaining 6.4%. Chart 7.1 illustrates the revenue and expense disparity between the different levels of government.

Chart 7.1 Own-source revenue and expenses by levels of government, 2018-19[1,2]



Notes:
1. Revenue calculated as total revenue minus grant revenue.
2. Expenses calculated as total expenses minus grant expenses.

Source: ABS Government Finance Statistics.

In Australia, VFI is addressed through a system of intergovernmental payments from the Australian Government to the states which allows them to meet their service delivery and infrastructure responsibilities. The Australian Government makes two types of payments:

- general revenue assistance payments (largely GST revenue) which can be used by states for any purpose ('untied' funding), and
- payments for specific purposes ('tied' funding) such as National Specific Purpose Payments (SPPs), which are a contribution toward states' service delivery priorities, and National Partnership (NP) payments which represent funding to support the delivery of specific outputs or projects and to facilitate or incentivise reforms.

Given the Australian Government's significant revenue raising capability, states are overly reliant on intergovernmental transfers to provide essential services and infrastructure to their communities.

Horizontal fiscal imbalance and horizontal fiscal equalisation

Another feature of Australian federalism is horizontal fiscal imbalance (HFI). HFI arises from disparities between the states' capacity to raise revenue and deliver services. Some states can raise higher revenue and/or deliver services at a lower cost compared to other states, providing the capacity to offer higher levels of services. Over time, absent equalisation, this would distort capital and labour mobility towards states providing a higher level of services.

To address HFI, GST revenue collected by the Australian Government is distributed to states with the objective of ensuring all Australians can expect to receive a comparable level of services and infrastructure, regardless of the state they reside in. This is known as horizontal fiscal equalisation (HFE). The Commonwealth Grants Commission uses the principle of HFE in recommending to the Australian Government how GST revenue should be distributed to the states.

7.2 Australian Government funding to the states

The Australian Government estimates that it will provide states with $131.375 billion in 2020-21, $5.580 billion (4.4%) more than in 2019-20, comprising:

- $59.920 billion in payments as shares of GST revenue ($315.9 million less than 2019-20)
- $69.449 billion in payments for specific purposes ($5.683 billion more than in 2019-20) including:
  - $25.418 billion in National Health Reform funding, including $1.811 billion in COVID-19 public health response funding
  - $21.914 billion in Quality Schools funding
  - $1.595 billion in National Housing and Homelessness funding
  - $18.961 billion in National Partnership payments (e.g. Infrastructure Investment Program, Disaster Recovery Funding Arrangements (DRFA), and DisabilityCare Australia Fund) and also some COVID-19 initiatives[8] such as:
    - $500 million in JobTrainer Fund
    - $97.5 million in COVID-19 Domestic Violence Support
    - $32.7 million in COVID-19 World and National Heritage
    - $31.6 million in National Infection Control Training Fund
    - $31.1 million in COVID-19 Legal Assistance Funding
    - $3.6 million in COVID-19 Self-Isolation for Remote Communities
  - $1.561 billion in National Specific Purpose Payments
- $2.006 billion in other payments to states, including:
  - $1.547 billion for GST top-up payments to Western Australia
  - $418 million for certain royalty payments to Western Australian
  - $41 million for municipal services to Australian Capital Territory

Australian Government payments for specific purposes may not fully fund all underlying programs. Some require states to provide matched contributions (e.g. Improving Great Artesian Basin Drought Resilience) or other, significant financial or in-kind contributions (e.g. Disaster Risk Reduction). This reduces budget flexibility for states.

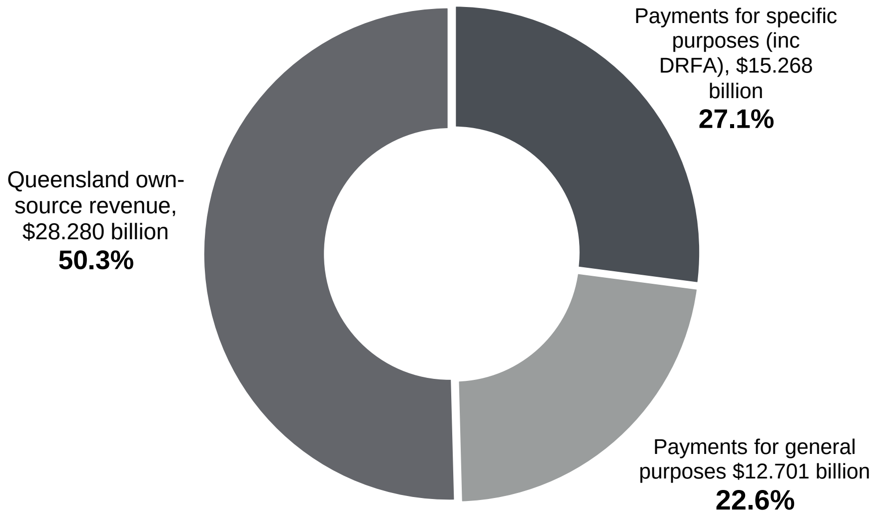
[8] Queensland contributes to COVID-19 initiatives, including the COVID-19 public health response, JobTrainer Fund and National Infection Control Fund.

7.3 Australian Government funding to Queensland

The Australian Government estimates it will provide the Queensland Government with $27.969 billion in 2020-21, $1.557 billion (5.9%) more than in 2019-20.

Australian Government funding is estimated to account for 49.7% of Queensland's total General Government Sector revenue sources in 2020-21 (shown in Chart 7.2). The proportion of Queensland's revenue derived from Australian Government funding has grown significantly from 35.0%[9] at the introduction of the GST in 2000.

Chart 7.2 General Government Sector revenue sources, Queensland 2020-21[1,2,3]



Notes:

1. Percentage may not add to 100% due to rounding.
2. Queensland own-source revenue figure includes direct Australian Government payments to Queensland departments for Commonwealth own-purpose expenditure.
3. Queensland own-source revenue includes $14.330 billion in taxation revenue, $5.975 billion in sales of goods and services and $2.631 billion in royalties and land rents. Additional information is provided in Chapter 4.

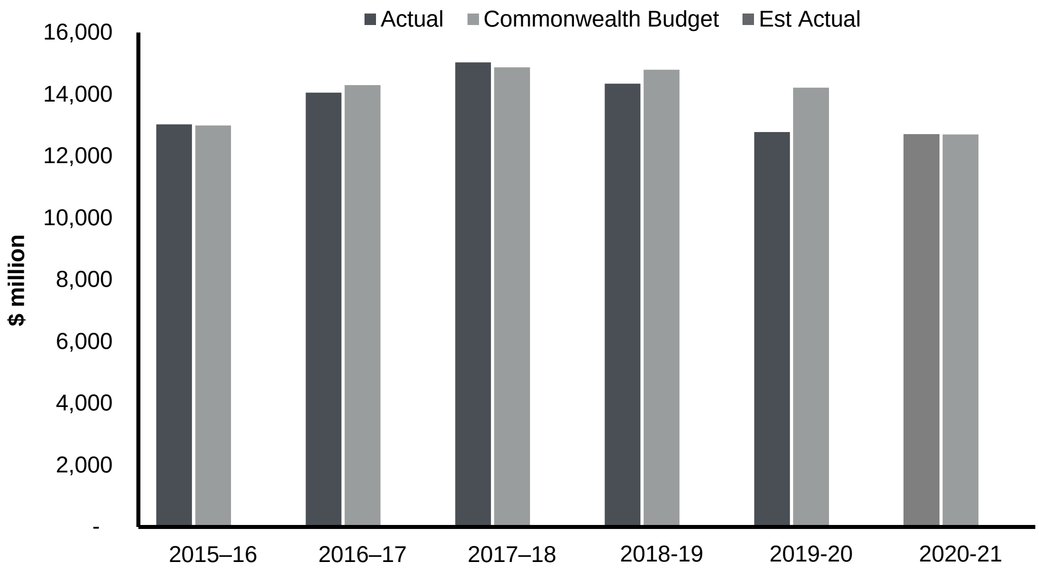
Source: 2020-21 Federal Budget Paper No. 3 and Queensland Treasury estimates.

[9] Per cent of Queensland's revenue derived from Australian Government Funding in 1999-00.

7.4 GST revenue

GST revenue accounts for all general revenue assistance payments that Queensland receives. In 2020-21, Queensland expects to receive $12.701 billion of GST revenue, $60 million (0.5%) less than in 2019-20, and $2.331 billion (15.5%) less than the peak in 2017-18.

Chart 7.3 Estimated GST payments to Queensland, 2015-16 to 2020-21



Source: Federal Budget 2020-21: Budget Paper No. 3 and 2019-20 Final Budget Outcomes.

The decrease in Queensland's estimated GST revenue in 2020-21, compared to 2019-20, is primarily due to the Australian Government revising down its estimated GST collections in 2020-21 by approximately $316 million, as a result of the ongoing impacts of the COVID-19 pandemic on national consumption of goods and services.

In addition, the Commonwealth Grants Commission (CGC) has successively revised down Queensland's GST revenue sharing relativity from a high of 1.18769 (or approximately 23.8%) in 2017-18 to 1.04907 (or approximately 21.1%) in 2020-21. This is primarily due to Queensland improving its fiscal capacity over time relative to all other states, which is partially offset by positive methodology changes arising from the CGC's 2020 Methodology Review.

Change in Queensland's relative circumstances since 2017-18 update

Queensland's GST share has been reduced by changing circumstances in Queensland and all other states. Since 2017-18, Queensland's relative fiscal capacity has improved, thus reducing its GST share. This improvement in fiscal capacity is primarily due to:

- significant reductions in natural disaster expenditure due to fewer large disasters over recent years compared with previous periods
- higher than average growth in the value of coal production compared to other states
- increased value of Commonwealth payments for specific purposes compared to other states.

However, this is partially offset by Queensland's:

- below average growth in taxable land values compared to other states
- below average growth in the value of property transfers compared to other states.

Queensland's GST share has also been adversely affected by the Australian Treasurer quarantining Commonwealth payments from the CGC's calculations. These decisions have heavily favoured other states (especially Western Australia) in recent years. The Australian Treasurer has not quarantined any new Commonwealth payments specific to Queensland since 2015, despite multiple requests. The adverse effect of this inequality will continue to impact Queensland's GST share for several years.

2020 Methodology Review

In February 2020, the CGC finalised its five-yearly review of its methodologies for determining states' shares of GST revenue. Unfortunately, this review was not as comprehensive as previous reviews, as the Australian Government prohibited any changes to the CGC methodology for assessing states' mining revenue.

Nevertheless, the CGC's updated methodologies resulted in Queensland's GST share increasing due to:

- an increased investment need for rural roads
- revised scope of property transfers included in the CGC's assessment
- revised scope of the national disaster assessment to include state-funded local government national disaster relief expenditure.

However, this is partially offset by downward revision of assessed urban and rural transport expenditure.

Changes from the 2020 Methodology Review positively impacted Queensland's share of GST revenue from 2020-21, subject to any future methodology review or a significant change in states' circumstances.

COVID-19 implications for GST revenue shares

The COVID-19 pandemic has impacted almost every aspect of Australian lives and all levels of government policy decisions to support individuals, businesses and communities in response to the pandemic.

As part of its work in determining states' shares of GST for 2021-22, the CGC is considering how the COVID-19 pandemic is impacting states' relative fiscal capacities and ultimately their share of GST. This includes reviewing:

- state government policies resulting in waivers, deferrals and rebates on some tax liabilities
- Commonwealth-state funding arrangements for the COVID-19 public health response
- state government spending measures providing support to businesses and industries.

There will continue to be uncertainty in Queensland's estimates of GST revenue until this is resolved. The CGC will advise of its determination in the 2021 Update Report, expected to be released in the first quarter of 2021.

7.5 Payments to Queensland for specific purposes

In 2020-21, Queensland expects to receive $15.268 billion in payments for specific purposes, $1.617 billion (11.8%) more than in the 2019-20 Outcome.

Table 7.1 Estimated payments to Queensland for specific purposes[1]

	2019-20 Budget $ million	2019-20 Outcome[2] $ million	2020-21 Budget $ million
Skills and Workforce Development National Specific Purpose Payment	308	309	315
National Health Reform funding[3]	4,902	5,392	5,469
Quality Schools funding[4]	4,771	5,017	5,102
National Housing and Homelessness funding	320	321	328
National Partnership Payments (incl. DRFA)	2,388	2,612	4,055
Total payments for specific purposes	**12,688**	**13,651**	**15,268**

Notes:

1. Numbers may not add due to rounding.
2. The 2019-20 Outcome is based on actual Commonwealth payments received by Queensland in 2019-20.
3. Includes funding for the COVID-19 public health response of $345 million in the 2019-20 Outcome and $174 million in 2020-21.
4. Quality Schools funding includes payments for government schools (exclusive of GST) and non-government schools (inclusive of GST).

Sources: Federal Budget 2020-21: Budget Paper No. 3, 2019-20 Queensland Budget Paper No. 2 and Queensland Treasury estimates.

Payments for specific purposes comprise funding for National Health Reform, Quality Schools, National Housing and Homelessness, Skills and Workforce Development National Specific Purpose Payment (SPP) and National Partnership (NP) payments.

In 2020-21, National Health Reform funding, which accounts for 35.8% of the total payments for specific purposes, is estimated to increase by $77 million (1.4%) from the 2019-20 Outcome.

National Health Reform funding in 2019-20 Outcome and 2020-21 includes funding for the COVID-19 public health response ($345.3 million in 2019-20 and $174 million in 2020-21). The COVID-19 public health response funding in 2019-20 included contracted payments made to private hospitals, which were covered 100% by the Australian Government.

Queensland projections of National Health Reform funding differ from the projections contained in the Federal Budget 2020-21. Australian Government projections assume higher activity growth than projected in service agreements between the Queensland Department of Health and Hospital and Health Services. Actual National Health Reform payments vary from estimates provided in budget papers as they are based on actual public hospital activity delivered each year.

Quality Schools funding, which accounts for 33.4% of the total payments for specific purposes, is estimated to increase by $85 million (1.7%) in 2020-21 to $5.102 billion, compared to the 2019-20 Outcome. The lower rate of increase from 2019-20 to 2020-21 (compared to the previous year's growth of 6.7%) reflects the Australian Government's decision to bring forward funding to non-government schools from 2020-21 to 2019-20.

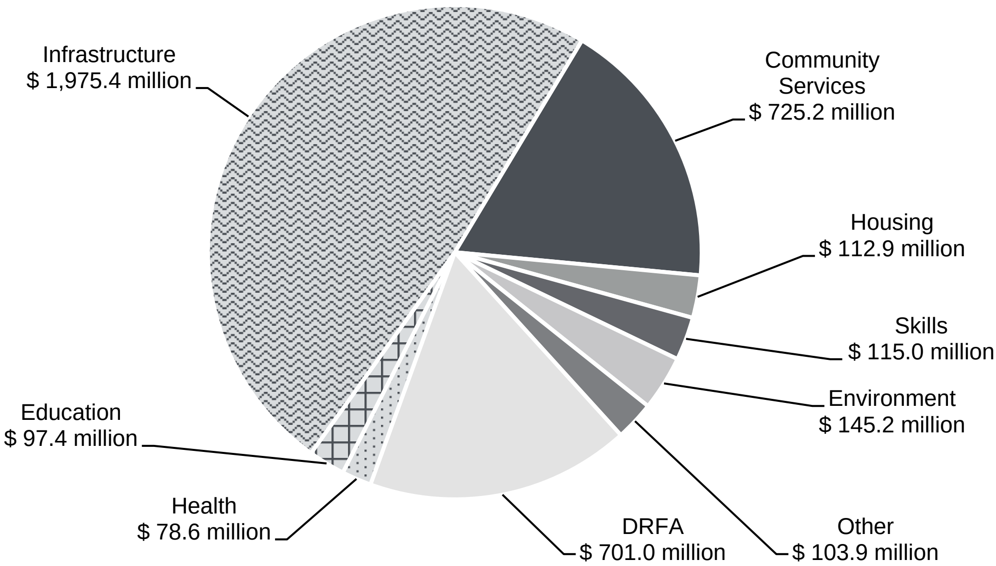
National Housing and Homelessness funding and the Skills and Workforce Development SPP are expected to increase by $7 million (2.1%) and $6 million (1.8%) respectively in 2020-21 compared to the 2019-20 Outcome.

NP payments (including DRFA), which accounts for 26.6% of the total payments for specific purposes, is estimated to increase by $1.443 billion (55.2%) in 2020-21 compared to the 2019-20 Outcome. A significant proportion of NP payments is allocated to infrastructure, DRFA and community services (refer to Chart 7.4).

The increase in payments for specific purposes between 2019-20 Outcome and 2020-21 is mainly due to:

- Additional funding from 2020-21 for priority road projects in Queensland to support economic recovery and jobs. Key projects include:
  - Coomera Connector Stage 1 (Coomera to Nerang)
  - Bruce Highway upgrade program, including: Caloundra Road to Sunshine Motorway; Rockhampton Northern Access upgrade; Burdekin Bridge upgrade; and Cairns Southern access corridor – Stage 4
  - Centenary Bridge upgrade
  - Riverway Drive Stage 2 (Allambie Lane – Dunlop Street).
- New funding to support the COVID-19 response. Initiatives include:
  - $100.5 million for the JobTrainer Fund to provide additional low or no fee training places for jobseekers and young people in areas of identified skills needs and employment growth, to support them into employment as Australia emerges from the COVID-19 pandemic.
  - $19.7 million for domestic violence support to ensure the safety of women and their children experiencing, or at risk of experiencing, domestic, family and sexual violence during the COVID-19 pandemic.
  - $8 million for the National Infection Control Training Fund to provide nationally accredited infection control short course training places to frontline workers.
  - $6.9 million for legal assistance funding for services provided by legal aid commissions, community legal centres, Aboriginal and Torres Strait Islander Legal Services and Family Violence Prevention Legal Services to respond to increased demand due to COVID-19.
- Additional funding in 2020-21 to Queensland to assist with costs associated with the provision of remote housing.
- Additional back payment in 2020-21 from the DisabilityCare Australia Fund for reimbursement of state expenditure on the National Disability Insurance Scheme in previous years.
- New funding to revitalise TAFE campuses across Australia.

Chart 7.4 National Partnership Payments by sector, 2020-21[1]



Note:

1. Excludes Australian Government funding to local government.

Sources: 2020-21 Commonwealth Budget Paper No. 3 and Queensland Treasury estimates.

7.5.1 Projections of payments for specific purposes to Queensland

Across the forward estimates, total payments for specific purposes are expected to steadily increase, with average growth of approximately 3% between 2020-21 and 2023-24.

While increases in overall funding are welcome, those payments tied to specific purposes and Australian Government criteria does impact State Governments' capacity to respond to local needs, reduces states' budget flexibility, adds administrative costs and impacts the achievement of state policy outcomes and priorities. This negative impact is amplified when funding is conditional on states' matching Australian Government funding, unrealistic timeframes, national price benchmarks and competing priorities.

National Health Reform funding for Queensland is expected to increase by an average of 5.3% per annum from 2020-21. Under the Addendum to the National Health Reform Agreement, the Australian Government will fund 45% of efficient growth in hospital activity subject to a national growth cap of 6.5% per annum. Current estimates are based on this methodology.

Growth in Quality Schools funding for Queensland is expected to average 6.6% between 2020-21 and 2023-24 as a result of enrolment growth and increased funding per student. Under the National Schools Reform Agreement, Queensland is expecting to receive $8.926 billion for state schools and $13.864 billion (including GST) for non-government schools from 2020-21 to 2023-24.

7.5.2 Expiring agreements

Under the Intergovernmental Agreement on Federal Financial Relations, the Australian Government provides time-limited funding to states and territories through NP payments to support the delivery of specific projects, facilitate reforms or reward states that deliver on reforms or achieve service delivery improvements.

However, over time, some NPs have been extended well beyond their intended time-limited purpose. NPs were never intended, and are not the optimal way, to fund ongoing community service needs.

Conversely, when NP agreements expire, states have been left with limited opportunities to deal with the expiring NP as the final decision on continued funding is made through the Australian Government's budget process. The expiry of many large NPs over the last few years, such as the National Partnership on Remote Housing, has highlighted this risk.

Unilateral termination by the Australian Government of funding for essential programs, with little or no notice, impacts on states' ability to plan, budget and continue delivering essential services to communities. Early indication as to the continuation, lapse or other treatment of funding for an expiring agreement is necessary to enable states to effectively manage their service delivery responsibilities.

There are 11 non-infrastructure NPs expected to expire in 2020-21:

- Essential vaccines
- Improving trachoma control services for Indigenous Australians
- Encouraging more clinical trials in Australia
- Expansion of the BreastScreen Australia program
- Rheumatic fever strategy
- Public dental services for adults
- National Infection Control Training Fund
- North Queensland strata title inspection scheme
- COVID-19 domestic and family violence responses
- On-farm emergency water infrastructure rebate
- Small business regulatory reform.

Multiple funding agreements will also expire in 2021-22. Of particular note, funding under the National Partnership on Universal Access to Early Childhood Education will cease at the end of 2021. This NP was only recently extended by the Australian Government and is the seventh short-term extension since it was originally agreed in 2008. Short-term extensions create significant uncertainty for the sector and for Queenslanders who use these services. With each extension, the Queensland Government has sought a longer-term commitment from the Australian Government.

The Australian Government, in its 2020-21 Budget, has not allocated any funding beyond 2020-21 for Queensland's expiring agreements, except for Essential Vaccines. The Australian

Government has allocated approximately $15 million to Queensland for essential vaccines over the years from 2020-21 to 2023-24, which indicates broad support for the program's continuation.

National Cabinet has confirmed that the Council on Federal Financial Relations (CFFR) (made up of Australian and state and territory treasurers) has taken on responsibility for coordination of all Commonwealth-state funding agreements, including NP Agreements (discussed in Box 7.1). In that context, CFFR will have a greater role in decision-making as expiration dates for these agreements approach, or where they are identified as no longer fit for purpose, providing a platform for more appropriate state input.

Box 7.1 Federation funding agreements

On 13 March 2020, the First Ministers of the Australian and state and territory governments resolved to form a National Cabinet, to ensure a coordinated response across the country to the management of COVID-19.

On 29 May 2020, the Prime Minister announced that the Council of Australian Government (COAG) would cease and a new National Federation Reform Council (NFRC) would be formed, with National Cabinet at its centre.

It was also confirmed that the CFFR would be responsible for overseeing the financial relationship between the Commonwealth and the states and territories. This includes CFFR taking responsibility for all funding agreements, including National Partnership Agreements, complementing its existing responsibility for overseeing the Intergovernmental Agreement on Federal Financial Relations.

On 12 June, National Cabinet further elaborated upon CFFR's central role in the new system, supporting the work of National Cabinet. Specifically:

- National Cabinet asked CFFR to progress targeted reforms in areas such as tax, deregulation and housing.
- In addition, CFFR would take on responsibility for coordination of all Commonwealth/state funding agreements, including National Partnership Agreements. This includes a review of existing agreements with a view to consolidation and rationalisation.
- As new Commonwealth-state National Partnership Agreements are developed, CFFR will be responsible to negotiate funding elements, in consultation with relevant portfolio ministers.

CFFR reports to National Cabinet on its progress with these responsibilities.

On 28 August 2020, CFFR established the new Federation Funding Agreements (FFAs) framework. The new FFA framework is designed to deliver strong economic and fiscal outcomes, provide funding certainty and budget autonomy, increase transparency and ensure CFFR retains oversight of funding agreements. While payments made to the states are according to the IGA FFR, payments will now be facilitated through schedules to the FFAs. Schedules sit within one of the five sector-based FFAs, including Health; Infrastructure; Education and Skills; Environment; and Affordable Housing, Community Services and Other.

7.6 State-local government financial relations

The Queensland Government allocates considerable funding in the State Budget to support local governments across the state. The Queensland Government acknowledges the shared responsibilities in serving the people of Queensland and the important role local governments play.

In 2020-21, the Queensland Government will provide a total of $1.935 billion in grants to local governments, compared to $1.766 billion in 2019-20.

This includes current, capital and asset grants to local government authorities and Indigenous councils, as well as Australian Government grants paid through the state to local governments. Grants to local governments are delivered through numerous Queensland Government departments and agencies for a variety of purposes, including through the programs discussed below.

Contributing to higher grants to local governments in 2020-21 relative to 2019-20, and in recognition of the increased fiscal pressures faced by local governments, is the significant stimulus delivered in response to the COVID-19 pandemic The Queensland Government is providing additional assistance through the new $200 million COVID Works for Queensland program ($180 million in 2020-21) and $100 million SEQ Community Stimulus Package ($45 million in 2020-21).

As described in Chapter 5, grants to local government are also higher due to disaster-related grants to local councils and payments to local councils for the Queensland waste levy.

Some of this variance is also due to the impact of COVID-19 on the timing of project delivery, which in some cases has resulted in grant expenditure being deferred from 2019-20 to 2020-21.

Of budgeted grants to local governments in 2020-21, key expenditures include around $700 million in infrastructure and economic development-related grants, $531.4 million in grants administered by the Queensland Reconstruction Authority (QRA), $240.6 million in transport- and roads-related grants, and $68.5 million for public and community housing-related grants.

To provide further support to local governments, the government has also provided increased funding for the Works for Queensland program, taking total program funding from $600 million to $800 million over eight years.

The government also announced the Local Government Debt Refinancing Program to allow councils to refinance and extend the loan term on some or all of their existing fixed-interest debt with Queensland Treasury Corporation (QTC) to take advantage of historically low interest rates. This will provide councils with an opportunity to free up additional cashflow through reduced loan repayments during challenging economic circumstances to fund essential infrastructure and other economic recovery priorities.

A summary of grant programs that are exclusively available to local governments are listed in Table 7.2.

Table 7.2 Grant programs exclusively available to local government

Program Name	Description	Total Funding (from 2015-16 to 2023-24)
Works for Queensland	Supports local governments in regional areas to undertake job-creating maintenance and minor infrastructure works.	$800 million
COVID Works for Queensland	Supports all local governments to respond to and recover from the COVID-19 pandemic to deliver job creating new infrastructure, maintenance or minor works projects.	$200 million
SEQ Community Stimulus Package	Supports SEQ local governments to respond to and recover from the COVID-19 pandemic by fast-tracking investment in new infrastructure and community assets that create jobs and deliver economic stimulus to local communities.	$100 million
Transport Infrastructure Development Scheme	Provides targeted investment in regional local government transport infrastructure.	$630 million
Building our Regions	Provides funding for critical infrastructure in regional areas to support economic development, including generating jobs.	$356.3 million
Local Government Grants and Subsidies Program	Provides funding for priority infrastructure projects that will enhance sustainable and liveable communities.	$257.6 million[1]
Coastal Hazard Adaptation Program - QCoast_{2100}	Assists coastal local governments to prepare plans and strategies for addressing the impact of climate change.	$15 million
Queensland Water Regional Alliances Program from	Assists regional councils to collaborate and improve the efficiency and administration of water infrastructure.	$6 million

Note:
1. Funding is ongoing. Figure is based on current projections.

In addition to the above grant programs, the Queensland Government has signed the National Partnership on Disaster Risk Reduction, which is a five-year partnership between the Commonwealth and states to support resilience and risk reduction projects. Over the five years from 2020, annual available funding has increased from $9.5 million to $13.1 million per year by replacing Queensland Disaster Resilience funding with Commonwealth-State Disaster Risk Reduction Funding of $9.6 million per year, supplemented by additional Queensland Government funding of $3.5 million per year. This fund, administered by the QRA, will be available to a range of organisations including local governments, to deliver mitigation and resilience projects.

The QRA also administers the DRFA which is a joint funding initiative of the state and Australian Governments to provide disaster relief and recovery payments to help communities recover following the effects of natural disasters. Under these arrangements the state administers significant funding (over $900 million) to provide disaster relief and assist with reconstruction of local government infrastructure damaged during natural disasters. The amount will be dependent on the final number and value of claims submitted.

The government also understands there are added challenges faced by Indigenous local governments, which are often located in very remote areas of the state, to ensure their communities have access to essential services and critical infrastructure. To address these challenges, the government has allocated substantial funding to specifically support Indigenous councils and their communities.

A summary of grant programs available to Indigenous councils and their communities are listed in Table 7.3.

Table 7.3 Grant programs to support Indigenous councils and their communities

Program Name	Description	Total Funding (from 2015-16 to 2023-24)
Indigenous Councils Critical Infrastructure Program	Contributes to the cost of water, wastewater and solid waste infrastructure in Indigenous communities.	$120 million
Major Infrastructure Program	Deliver environmental health and other infrastructure upgrades within the Torres Strait Island Regional Council, Torres Shire Council and Northern Peninsula Area Regional Council areas.	$15 million
State Government Financial Aid	A financial contribution (in lieu of rates) to meet the costs incurred by Indigenous councils in the provision of local government services.	$315.4 million[1]
Indigenous Local Government Sustainability Program (2016-18)	Assists Indigenous councils to increase their capacity, capability and sustainability.	$8.2 million

Note:
1. Funding is ongoing. Figure is based on current projections.

8 Public Non-financial Corporations Sector

Features

- Public Non-financial Corporations (PNFC) entities provide essential services such as electricity supply and distribution, water supply, rail services and port services. The Queensland Government expects its businesses to operate commercially and efficiently and to work towards continually improving services to Queenslanders.
- The government is supporting $3.460 billion of infrastructure investment through the PNFC Sector in 2020-21. This includes $2.030 billion on electricity infrastructure, $800 million on rail infrastructure, $301.4 million on water infrastructure and $277.1 million on port infrastructure.
- In 2019-20, the PNFC Sector generated $1.086 billion of dividends, although forecasts highlight significant declines due to regulatory determinations and market dynamics. Dividends generated by the government-owned corporations (GOCs) form part of consolidated revenue used to fund a range of government services.
- Operating within a commercial framework, businesses within the PNFC Sector supported the government's coronavirus (COVID-19) response by implementing a wide range of financial and economic measures including:
  - Energy Queensland Limited (EQL) fast-tracking price affordability measures;
  - Queensland Rail maintaining its full-service timetable for South East Queensland throughout the COVID-19 lockdown, supporting essential workers including frontline healthcare shift workers;
  - a temporary freeze of Sunwater and Seqwater irrigation water prices in 2020-21 to support business and industry, and the government subsidising $42 million worth of dam safety upgrades across the state from 2020-21 to 2023-24, rather than recover a share of these costs through irrigation prices; and
  - port and energy GOCs continuing to trade through the COVID-19 downturn providing vital support to the broader Queensland economy, while protecting their employees.
- In 2019-20, the government continued to deliver significant energy policy outcomes including CleanCo Queensland Limited (CleanCo) commencing physical trading in the National Energy Market (NEM) following its establishment as a new clean energy GOC in 2019-20. In March 2020, CleanCo announced it will build, own, and operate the Karara Wind Farm in the Darling Downs, funded by $250 million in government equity funding from the 2019-20 State Budget.

- The Queensland Government's recently announced Renewable Energy Fund will provide $500 million to GOCs to invest or co-invest in commercial renewable energy projects and supporting infrastructure, including in partnership with the private sector. This will leverage government contributions and GOC capabilities to deliver new capital investment and jobs and increase the supply of renewable energy. The Fund will complement the government's $145 million commitment to establish three Queensland Renewable Energy Zones.
- The government's investment in renewable energy and supporting infrastructure will support the commitment to achieve Queensland's 50% Renewable Energy Target by 2030.
- These actions are also delivering better pricing outcomes for Queensland households and businesses. In each of the past three years, Queensland wholesale electricity spot prices have been the lowest of all mainland states in the NEM.
- In June 2020, the Queensland Competition Authority released its *Final Determination for Regulated Retail Electricity Prices*, estimating prices in regional Queensland will fall, for the typical residential and small business customer by 5.9% and 3.2% each, in 2020-21.
- Queensland Rail continues to work with external partners to progress the Cross River Rail and European Train Control System projects, as well as upgraded train stabling, new stations and station accessibility upgrades.
- Forming a critical link between the region's diverse mining activities and the Port of Townsville, the government approved $50 million for Queensland Rail to undertake three key capital projects to improve the Mount Isa rail line. The government is also providing $20 million to eligible rail freight users as part of a four-year $80 million Mount Isa Line Incentive Scheme, making the freight journey faster and more reliable for exporters, and thereby boosting mineral freight exports and jobs in the region.
- Other Port GOCs projects being progressed in 2019-20 and 2020-21 include:
  - the Townsville Channel Capacity Upgrade and Clinton Vessel Interaction Project; and
  - $30 million to upgrade facilities at the Ports North Cairns Marine Precinct and a business case for future development of the Precinct as a regional centre for large vessel repair work.
- The joint Queensland and Australian government funded Rookwood Weir being built by Sunwater will grow agricultural production along the Fitzroy River and enhance the security of urban and industrial water supplies for Gladstone and Capricorn Coast centres.

8.1 Context

The entities comprising the PNFC Sector operate in a range of industries including energy, rail, port and water services.

Queensland's government-owned Corporations (GOCs), declared by regulation to be GOCs under the *Government Owned Corporations Act 1993* (GOC Act), make up a large part of the PNFC Sector. Also included in the sector are non-GOC entities, the Queensland Bulk Water Supply Authority (trading as Seqwater), Queensland Rail, local water boards and other public corporations.

GOCs are accountable for their financial performance and are required to be commercial and efficient organisations. These requirements are legislated under the GOC Act, and similar provisions are made in the enabling legislation of Seqwater and Queensland Rail.

PNFC entities provide services such as vital port services, electricity supply and distribution, rail services and water supply. The entities incur costs and bear commercial risks in the delivery of their services or products and generate a commercial rate of return from the sale of these services or products.

The returns to government form part of consolidated revenue that is used to pay for various government services. Part of some PNFCs' revenue may arise from community service obligation (CSO) payments from the government. These payments are used to subsidise a service, so it can be offered to the community at a price lower than it would otherwise be if full cost recovery and normal margins were applied.

A key example is the CSO paid to Energy Queensland Limited (EQL) to provide electricity in regional Queensland at prices based on the costs of supply in South East Queensland, in accordance with the government's Uniform Tariff Policy. This ensures that electricity prices in regional Queensland are much lower than would otherwise be the case.

8.1.1 Electricity networks

The government owns two electricity network businesses that are responsible for transmitting safe, reliable electricity to consumers across the state – Powerlink and Energy Queensland Limited (EQL).

Powerlink

Powerlink owns, develops, operates and maintains the electricity transmission network in Queensland. Its network spans approximately 1,700 kilometres from north of Cairns to New South Wales and comprises 15,338 km of transmission lines and 147 substations.

Powerlink's role in the electricity supply chain is to transmit high voltage electricity – generated at major power stations – through its transmission grid to the distribution networks.

Powerlink also transmits electricity to high usage industrial customers such as rail companies, mines and mineral processing facilities, and to New South Wales via the Queensland/New South Wales Interconnector transmission line.

Energy Queensland Limited

EQL was formed from the merger of Energex and Ergon Energy in June 2016. EQL owns and operates the low-voltage distribution network that transmits electricity from Powerlink's transmission network and distributes it to households and businesses across Queensland. Ergon Energy Network provides the distribution network in regional Queensland and Ergon Energy Retail offers its customers retail services in regional Queensland. Energex provides distribution network services to customers within South East Queensland.

EQL, through its subsidiary Yurika, is also involved in a range of other service delivery functions including demand management services, large-scale connections, microgrid solutions, the provision of contestable metering services and telecommunications infrastructure. Yurika is focused on pursuing strategic investments in unregulated markets to provide greater choice to customers and provide EQL with an enhanced ability to respond to emerging trends.

When the government announced the merger of Energex and Ergon Energy under EQL, it was estimated that through the merger and other efficiencies, savings of $562 million were to be generated by 2019-20. These savings have delivered benefits to both government and electricity consumers, through improved returns from the business, and by putting downward pressure on electricity prices. EQL exceeded its savings target to 2019-20, with total savings of $643 million.

To address the impact of COVID-19 on their customer base, EQL fast-tracked a range of measures including price affordability measures, the temporary suspension of disconnections for non-payment and the delivery of the government's utility relief payments for residential and small business customers.

Network revenues

Revenues for the network businesses are largely derived from network services that are regulated by the Australian Energy Regulator (AER). The AER determines these revenues on a five-yearly basis, based on the businesses' proposals and its view of the reasonable benchmark efficient costs for a network business.

The AER published Powerlink's revenue determination in April 2017 for the 2017-2022 regulatory control period, resulting in a significant reduction in allowable revenues for the business. Powerlink is currently preparing its submission for the 2022-2027 regulatory control period, to be lodged in January 2021, and the AER will make its final determination in April 2022.

In December 2019, the Energex and Ergon Energy businesses submitted to the AER their revised regulatory proposals for the 2020-2025 revenue determination period. In June 2020, the AER made its final revenue determination, which will result in significant electricity bill reductions for the average Queensland residential household and small business.

The final revenue determination will lead to a reduction in revenue for EQL relative to the previous AER regulatory period, driven largely by a reduction in the allowable return on capital. In the absence of reductions in EQL's cost profile, this will result in lower forecast returns to the state from the electricity network sector.

8.1.2 Electricity generation

Queensland is in a strong position to deliver reliable and affordable energy through significant baseload and renewable generation capacity.

Queensland realised the lowest wholesale market spot prices over the past three financial years, and forward wholesale prices remain among the lowest in the NEM.

Queensland continues to operate Australia's youngest and most efficient fleet of coal-fired generators and an increasing number of large-scale renewable projects. This includes assets owned by Queensland Government owned generators - Stanwell, CS Energy and CleanCo. In March 2020, CleanCo announced it would build, own and operate the 102.6 MW Karara Wind Farm. In addition, generators have entered into new long-term power purchase agreements with several wind and solar farms. With these investments, our generators now own or support over 2,000 MW of renewable energy generation in Queensland.

The establishment of CleanCo has increased competition in the energy sector, placing downward pressure on electricity prices. CleanCo will play a key role in delivering the government's 50% Queensland Renewable Energy Target by 2030.

CleanCo

CleanCo is Queensland's newest energy generator, owning and operating a portfolio of low and no emissions generation assets across Queensland. Established in December 2018, CleanCo was transferred a strategic asset portfolio from Stanwell and CS Energy in 2019-20. In early 2020-21, CleanCo took full operational responsibility for its assets and site employees.

In addition to its foundation portfolio, in 2020 CleanCo committed to support a further 930 MW in renewable generation capacity. This was through three power purchase agreements in the Darling Downs and Far North Queensland and the build, own, and operation of the 102.6 MW Karara Wind Farm.

CS Energy

CS Energy is a major supplier of electricity across Queensland, owning and operating the Callide B and Kogan Creek Power Stations and a 50% interest in the Callide C Power Station. CS Energy is also a party to the Gladstone Interconnection and Power Pooling Agreement, and trades output of the Gladstone Power Station that exceeds the requirements of the Boyne Island aluminium smelter.

Stanwell

Stanwell is a major supplier of energy into the NEM, generating and trading electricity from three coal-fired power stations in Queensland. Stanwell also sells electricity directly to large commercial and industrial customers in Queensland, New South Wales, the Australian Capital Territory and Victoria, and also earns revenue from coking coal exported from Curragh Mine.

Box 8.1 Renewable energy

The government is committed to reaching the 50% Queensland Renewable Energy Target by 2030, and Queensland's generators are playing an important role in this transition.

As part of the *Powering Queensland Plan*, the government established CleanCo as the state's new renewable energy generator and as a structural solution to increase competition in the wholesale electricity market and place downward pressure on wholesale electricity prices. CleanCo has a mandate to deliver 1,000 MW of new renewable energy generation in Queensland by 2025. This plan is working, as Queensland continues to realise some of the lowest wholesale electricity prices in Australia.

In March 2020, CleanCo announced it would build, own and operate the 102.6 MW Karara Wind Farm. In addition, generator GOCs have entered into new long-term power purchase agreements with several wind and solar farms supporting or owning over 2,000 MW of renewable energy generation in Queensland.

Queensland's energy market has already seen 44 large-scale renewable energy projects commence operations, be under construction or financially committed since 2015. This represents more than $8.5 billion in investment and more than 7,000 construction jobs.

The Queensland Government has announced the $500 million Renewable Energy Fund, enabling Queensland's five energy GOCs to increase ownership of commercial renewable energy projects and supporting infrastructure, including in partnership with the private sector.

The existing skills and expertise from the energy GOCs will be used to engage with market proponents and identify commercial investment proposals, with opportunities for appropriate returns for the government. The Renewable Energy Fund will advance the transition towards renewable energy sources, create jobs, and further establish Queensland as a leader in renewable energy.

The government's *Unite and Recover: Queensland's Economic Recovery Plan* also includes a commitment of $145 million to establish three Queensland Renewable Energy Zones. In these zones - in northern, central, and southern regions of Queensland - the government is committed to undertake strategic network investments, streamline the development of new renewable energy projects and work to match industrial energy demand with cheap, clean renewable energy.

8.1.3 Rail

Queensland Rail is an integrated, publicly-owned rail operator, responsible for the delivery of passenger transport in South East Queensland, long distance passenger services in rural and regional Queensland and provision of third party access to networks for freight transport across the state.

The majority of services are delivered under a Rail Transport Services Contract (TSC) with the government, represented by the Department of Transport and Main Roads. The Rail TSC provides funding for rail infrastructure, Citytrain (South East Queensland passenger services) and Traveltrain (regional passenger services).

Queensland Rail maintained its full-service timetable for South East Queensland throughout the coronavirus (COVID-19) lockdown, supporting essential workers including frontline healthcare shift workers. Recently, it introduced additional services to support social distancing measures and has fully restored most of the regional travel and tourism services that were reduced or suspended during the peak of the COVID-19 crisis.

Box 8.2 Rail manufacturing in Queensland

The Queensland Government has committed to support continued rail manufacturing in Queensland and state manufacturing supply chains.

The package includes a commitment of $600 million for the construction of 20 new trains in the Maryborough region to support local jobs and regional supply chains. These trains will be ready by 2025 in order to support service delivery following completion of the Cross River Rail project. The government will consider an option to build a further 45 trains to meet future network demand.

The government will also revitalise rail manufacturing in Rockhampton. This will include securing land at the old Aurizon workshop to develop a rail maintenance, manufacturing and logistics centre that can support local suppliers to manufacture components for Queensland-built trains.

The government has committed $300 million for a pipeline of works to refurbish and maintain Queensland Rail's existing fleet over the next 10 years. These works will be progressed as part of a Strategic Partnership Agreement. The first signatory to this agreement is Downer EDI, located in Maryborough. This pipeline will see the enhancement of our rail fleet through a number of major projects such as the overhaul of electric and diesel Tilt Trains, as well as the Interurban Multiple Unit 160 and Suburban Multiple Unit 260 fleets.

Other commitments include continuation of $85 million in works to improve disability accessibility on the New Generation Rollingstock Fleet, and $1 million for a business case to replace the carriages of the iconic, long-distance Westlander, Inlander and Spirit of the Outback services.

8.1.4 Ports

Queensland has a large network of ports along its coastline, ranging from small installations serving local communities to large, world class multi-user and multi-cargo ports, which have public and privately-owned import and export facilities.

Apart from the Port of Brisbane and the Amrun Port near Weipa, the authorities responsible for Queensland's ports are owned and run by GOCs. Despite the impact of COVID-19 on some port related activities such as tourism and trade over the past six months, Queensland's ports have continued to play an essential role in the state's supply chain networks and economy. Their efficient operation is essential to continued economic growth, job creation and sustainable development in the state.

The ports sector's financial performance is influenced by various factors including supply chain expansions and disruptions, evolving transportation methods and Queensland and global economic conditions, particularly overseas demand for Queensland's natural resources and agricultural products.

While the global trade impacts from COVID-19 are still emerging, Queensland ports continue to look to new markets to improve financial outcomes and stimulate the economy, while meeting environmental and community obligations.

The port authorities have been working closely with industry and the government to ensure the necessary measures are in place to keep ports operational and trade flowing, while protecting transport and port supply chains and workforces during the COVID-19 pandemic.

Ports have also been providing fee and rental relief to tenants and customers in response to COVID-19. Given the significant effect on Far North Queensland's tourism, resources and commercial seafood industries, Ports North will provide approximately $7.6 million of COVID-19 relief support measures to local Cairns operators over the period February to December 2020.

Queensland's port GOCs will progress a number of projects in 2020-21 including the Channel Capacity Upgrade at the Port of Townsville, which has increased from $193.5 million to $232 million in cost, driven by a change in delivery methodology for major works packages, and the impact of COVID-19 on project delivery.

Other key projects for port GOCs in 2020-21 include:

- works for Berth 4 upgrades at the Port of Townsville
- works for Tug Berth upgrades at the Port of Mackay
- plans for the RG Tanna Shiploader 1 replacement, securing approvals for future growth projects, and completing the Clinton Vessel Interaction Project at the Port of Gladstone
- the Master Plan for the Port of Cairns and Mourilyan, which will inform future capital investment in the Cairns Marine Precinct.

8.1.5 Water

The two largest entities in the Queensland bulk water market are the Queensland Bulk Water Supply Authority (trading as Seqwater) and Sunwater Limited (Sunwater).

Seqwater

Seqwater is responsible for supplying safe, secure and reliable bulk drinking water for people across South East Queensland. Its assets and operations are spread across a large geographic area from the New South Wales border to the base of the Toowoomba ranges and as far north as Gympie. Seqwater provides essential flood mitigation services and manages seven water supply schemes which provide irrigation services.

Dams play a vital role in South East Queensland’s water supply. Seqwater has an ongoing Dam Improvement Program (DIP) to ensure the safety of its dams and compliance with dam safety guidelines into the future.

Key projects for Seqwater in 2020-21 include:

- progressing the Ewen Maddock Dam Upgrade
- commencing the South West Pipeline to Beaudesert
- planning for the Somerset Dam Upgrade.

With South East Queensland water storages falling below 60% in September 2020, Seqwater is operating in drought response mode. This includes increasing production at the Gold Coast Desalination Plant to best preserve dam levels, and a water saving campaign to reduce water consumption. Further drought response measures may be required through 2020-21 if drought conditions continue.

Sunwater

Sunwater is the government’s major bulk water supply business for regions outside of South East Queensland. It supplies untreated bulk water to approximately 5,000 customers across the industrial, mining, urban and irrigation customer segments. Sunwater provides this through an extensive regional asset base, owning and managing water infrastructure assets with a replacement value of around $14 billion.

Dam safety is a major focus for Sunwater, as it is for all bulk water suppliers. Sunwater commenced a prioritised DIP in 2005 to ensure that dam safety is maintained. The DIP is regularly reviewed to ensure highest priority projects are addressed first.

The DIP is an essential program to ensure the safety and reliability of dams and the ongoing safety of downstream communities. Sunwater must undertake dam safety work to meet its obligations under Queensland dam safety regulations. However, it is also likely to significantly influence Sunwater’s financial performance and net flows to the government over the forward estimates period and beyond.

Key projects for Sunwater in 2020-21 include:

- completing the essential works at Paradise Dam to temporarily reduce the level of the spillway to improve its stability and the safety of downstream communities
- progressing planning for Paradise Dam spillway improvements to identify the optimal option to enhance the dam to meet future extreme weather events
- progressing planning for Burdekin Falls Dam spillway improvements
- continuing feasibility studies into potentially raising Burdekin Falls Dam.

8.2 Finances and performance

8.2.1 Earnings before interest and tax

Total PNFC Sector earnings before interest and tax (EBIT) for 2019-20 were $1.905 billion, significantly lower than the $3.672 billion forecast at the time of the 2019-20 State Budget. This large reduction was primarily due to decreases in the electricity generation sector, driven by a decline in wholesale electricity spot prices caused by weaker market conditions. This has resulted in material coal-fired generator asset impairments by Stanwell and CS Energy.

This downward trend in electricity generation EBIT and associated asset impairments is largely due to forecast reductions in wholesale generation revenues as new renewable participants enter the wholesale market, increasing competition and driving down wholesale prices.

Electricity generation EBIT is however forecast to increase from $397 million in 2022-23 to $539 million in 2023-24 due to expected higher wholesale prices following the scheduled closure of the Liddell Power Station in New South Wales.

The electricity network sector EBIT is estimated to fall by around one-third in 2020-21 onwards (compared to 2019-20 levels), driven by EQL's new regulated revenue determinations for the period of 1 July 2020 to 30 June 2025, and to a lesser extent by Powerlink's upcoming new regulated revenue determination for the period of 1 July 2022 to 30 July 2027.

The 2019-20 EBIT for the water sector was $255 million, substantially lower than the $571 million forecast at the time of the 2019-20 State Budget. This result was driven by Sunwater's decision to provision for a potential future liability in relation to the 2011 South East Queensland Floods Class Action.

The water sector EBIT is expected to reach $564 million in 2021-22, largely reflecting the upwards trend associated with the South East Queensland bulk water price path. However, from 2021-22 the water sector EBIT is forecast to decline in recognition of the increased spend by Sunwater associated with the DIP, that will be partly expensed.

Port sector EBIT is forecast to trend steadily upwards over the forward estimates reflecting the various long-term revenue contracts supported by the completion of revenue generating capital expansions.

Overall across the forward estimates, PNFC Sector EBIT is expected to increase to $2.784 billion by 2021-22, with a slight decrease to $2.650 billion by 2023-24.

Table 8.1 Earnings before interest and tax[1]

	2018-19 Outcome $ million	2019-20 Budget $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Electricity Networks	2,092	1,850	1,795	1,179	1,191	1,140	1,127
Electricity Generation	1,384	830	(469)	572	509	397	539
Rail	324	244	255	301	362	327	329
Ports	161	212	159	192	230	248	265
Water	596	571	255	517	564	507	467
Other[2]	59	(34)	(90)	(45)	(72)	(75)	(77)
Total PNFC Sector	**4,616**	**3,672**	**1,905**	**2,715**	**2,784**	**2,544**	**2,650**

Notes:
1. Numbers may not add due to rounding.
2. Includes other public corporations.

8.2.2 Borrowings

Entities in the PNFC Sector utilise debt financing as a source of funds for asset renewal and capital investments, and to maintain an optimum capital structure. Borrowings also include derivative liabilities associated with hedging activities undertaken by the GOCs.

PNFC Sector entities are required to take a prudent and sound approach to the management of debt, including the establishment of borrowing arrangements which are appropriate to the business risk of the organisation. These arrangements consider the appropriateness of the proposed capital expenditure program, together with the implications of the borrowings for key financial and performance related indicators.

Total PNFC Sector borrowings in 2019-20 were $40.700 billion, $713 million higher than forecast at the time of the 2019-20 State Budget. The increase was primarily due to higher derivatives in the electricity generation sector, arising from material adverse movements in long positions due to lower electricity prices.

Borrowings are expected to increase slightly over the forward estimates to $41.11 billion by 2023-24, primarily driven by the rail and electricity network sectors.

Electricity network borrowings are expected to increase in 2020-21 due to the bringing forward of capital project works, but remain otherwise steady over the forward estimates (in line with the regulated asset base). Rail sector borrowings are expected to increase with the Queensland Rail capital program.

Borrowings in the water sector are largely attributable to Seqwater, which currently holds $9.426 billion of debt. The debt balance was the result of the large investment in water infrastructure in response to the Millennium Drought and the associated price path. Seqwater's forecast borrowings reduce across the forward estimates with price path debt repayment.

Port sector borrowings are forecast to increase to $1.157 billion by 2023-24. The increase in borrowings is to fund new capital works and infrastructure projects primarily at the Port of Townsville and Ports North.

The gearing levels of all GOCs continue to be monitored to target metrics which are, at a minimum, consistent with an investment grade credit rating.

Table 8.2 Borrowings[1]

	2018-19 Outcome $ million	2019-20 Budget $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Electricity Networks	22,046	23,073	23,050	23,830	23,880	23,873	23,951
Electricity Generation	1,984	1,831	2,655	1,845	1,761	1,723	1,742
Rail	3,439	3,852	3,746	4,093	4,430	4,682	4,810
Ports	1,061	1,173	1,086	1,090	1,111	1,158	1,157
Water	9,983	9,981	9,985	9,937	9,622	9,485	9,308
Other[2]	194	77	178	169	160	151	141
Total PNFC Sector	**38,707**	**39,987**	**40,700**	**40,964**	**40,964**	**41,071**	**41,110**

Notes:

1. Numbers may not add due to rounding.
2. Includes other public corporations.

8.2.3 Returns to government

PNFC Sector entities provide returns to government by way of dividends and tax equivalent payments.

Dividends

A GOC’s dividend policy is agreed with shareholding Ministers as part of the Statement of Corporate Intent for the relevant period. A Statement of Corporate Intent represents a performance contract between the shareholding Ministers and a GOC board, with the board being accountable to shareholding Ministers for meeting financial and non-financial performance targets and delivering on the outcomes detailed in the Statement of Corporate Intent.

When establishing the dividend policy for the period, GOC boards are expected to ensure it considers the return shareholders expect on their investments and the levels of equity required to maintain a preferred capital structure. The final dividend payment is determined in accordance with the GOC Act.

Total PNFC Sector dividends for 2019-20 were $279 million less than forecast at the time of the 2019-20 State Budget. This was driven by a $214 million reduction in dividends from the electricity generation businesses, primarily due to lower electricity prices impacting revenues.

Water sector dividends in 2019-20 were $40 million less than forecast at the time of the 2019-20 State Budget, driven by Sunwater's decision to provision for a potential future liability in relation to the 2011 South East Queensland Floods Class Action.

Lower expected profits are translating into lower dividends over the forward estimates, with declines in the electricity networks and generation sectors partly offset by an increase in the rail and ports sectors. PNFC Sector dividends are projected to decrease from $1.086 billion in 2019-20 to $630 million in 2020-21, before increasing to a projected $695 million in 2023-24. The reduction in dividends over the forward estimates relative to 2019-20 is being driven by the electricity sector.

Electricity network dividends are expected to drop by 80% to $106 million in 2020-21 due to the AER's revenue determination leading to a projected fall in EQL's profitability, to then slightly increase to $122 million by 2023-24.

Electricity generation dividends are also expected to decline with the entry of renewable generation capacity keeping downward pressure on electricity prices. The rebound in 2023-24 is correlated with the expected closure of the Liddell Power Station in New South Wales tempering electricity supply in the market.

Ports sector dividends are forecast to maintain stable levels over the forward estimates with gradual growth in line with profits.

Water sector dividends are expected to remain low over the forward estimates due to the increased costs of Sunwater's DIP to ensure the safety and stability of dams and the ongoing safety of downstream communities.

Table 8.3 Dividends[1]

	2018-19 Outcome $ million	2019-20 Budget $ million	2019-20 Outcome$ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Electricity Networks	771	596	532	106	133	124	122
Electricity Generation	615	519	305	278	222	169	247
Rail	142	102	119	142	160	176	172
Ports	99	102	110	97	118	131	144
Water	58	45	5	8	9	10	10
Other[2]	8	..	15	..	..	..	..
Total PNFC Sector	**1,694**	**1,365**	**1,086**	**630**	**641**	**609**	**695**

Notes:

1. Numbers may not add due to rounding.
2. Includes other public corporations.

Tax equivalent payments

Tax equivalent payments (TEPs) are paid by the PNFC Sector entities to recognise the benefits derived because they are not liable to pay Australian Government tax. The primary objective of the payment is to promote competitive neutrality, through a uniform application of income tax laws between the government-owned entities and their privately held counterparts.

TEPs generally move in line with earnings over time. TEPs are forecast to decrease from $716 million in 2019-20 to $402 million by 2022-23, then increase to $424 million in 2023-24.

Table 8.4 Tax equivalent payments[1]

	2018-19 Outcome $ million	2019-20 Budget $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Electricity Networks	363	371	358	158	176	170	169
Electricity Generation	444	234	232	163	136	130	160
Rail	60	48	55	51	51	29	18
Ports	45	54	56	50	57	61	66
Water	30	8	12	4	5	6	6
Other[2]	3	5	3	5	5	5	5
Total PNFC Sector	**945**	**720**	**716**	**431**	**431**	**402**	**424**

Notes:

1. Numbers may not add due to rounding.
2. Includes other public corporations.

Competitive Neutrality Fees

In accordance with the National Competition Policy principles, GOCs are expected to operate on the basis that they do not experience significant advantages or disadvantages by virtue of their government ownership. One of the most significant advantages available to GOCs is the ability to borrow funds at a lower rate than private sector competitors on the basis of the State Government's credit strength.

In order to account for this advantage, the Competition Principles Agreement requires a notional charge to be applied to a GOC's cost of debt. A competitive neutrality fee (CNF) is applied to all borrowings and financial arrangements in the nature of debt obligations. In general, changes in CNF payments reflect movements in borrowing amounts, interest rate spreads and the entity's stand-alone credit rating.

Total PNFC Sector CNF payments for 2019-20 were $170 million, in line with the 2019-20 State Budget forecast. CNF payments are forecast to increase to $192 million by 2023-24.

Table 8.5 Competitive neutrality fee payments[1]

	2018-19 Outcome $ million	2019-20 Budget $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Electricity Networks	89	106	106	118	125	124	139
Electricity Generation	17	17	16	15	14	12	12
Rail	34	30	33	27	26	26	27
Ports	11	12	10	10	10	9	8
Water	5	5	5	4	5	5	6
Total PNFC Sector	**156**	**169**	**170**	**175**	**180**	**176**	**192**

Note:

1. Numbers may not add due to rounding.

8.2.4 Community service obligation and rail transport services contract payments

For public policy reasons government will direct or require businesses to perform activities that are not in the entity's commercial interest (for example, offering services at a reduced price to benefit a community). In these situations, the government can provide a community service obligation (CSO) payment to the entity for the cost of delivering an uncommercial service.

Transport Services Contract (TSC) payments are made to Queensland Rail to provide rail passenger services at non-commercial (subsidised) prices for the commuter and tourism markets.

In line with the Queensland Government's Uniform Tariff Policy, a CSO payment is provided to EQL to compensate the retail subsidiary for the increased costs of operating in regional Queensland. This subsidy is provided to ensure that Queenslanders, regardless of their geographic location, pay a similar price for their electricity.

Seqwater and Sunwater own and operate water supply schemes, where irrigation prices for some schemes are set below the level necessary to recover the cost of supplying water to irrigators. The government provides a CSO to offset the reduced revenue.

Total PNFC Sector CSO and TSC payments for 2019-20 were $2.302 billion, in line with the $2.309 billion forecast at the time of the 2019-20 State Budget.

In 2020-21, it is estimated that the government will provide CSO and TSC payments to PNFC Sector entities of $2.434 billion. This is forecast to increase to $2.679 billion by 2023-24, largely driven by the TSC. The increase in the TSC is due to a mix of factors such as changes in patronage, escalation of service delivery costs, progression of capital works and operational readiness activities to support Cross River Rail, and forecast growth in services.

Relative to 2019-20, water CSO payments are forecast to increase over the forward estimates, due to the government's commitment to reduce rural irrigation water prices for Sunwater and Seqwater customers.

Table 8.6 Community service obligation payments and transport services contracts[1]

	2018-19 Outcome $ million	2019-20 Budget $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Electricity Networks	462	498	498	454	502	505	490
Rail	1,778	1,801	1,794	1,959	2,074	2,131	2,163
Water	10	10	9	21	35	27	26
Total PNFC Sector	**2,250**	**2,309**	**2,302**	**2,434**	**2,612**	**2,663**	**2,679**

Note:
1. Numbers may not add due to rounding.

8.2.5 Equity movements

The levels and weightings of GOC debt and equity are managed by the government to maintain an optimal and efficient capital structure. Corporations may have different target capital structures for different business entities or to support expected capital programs and projects.

Total PNFC Sector Equity Injections for 2019-20 were $279 million, significantly higher than the $19 million forecast at the time of the 2019-20 State Budget. The increase is primarily due to the transfer of Queensland Country Bank Stadium to Stadiums Queensland.

Equity movements in the PNFC Sector across the forward estimates will be primarily influenced by the Renewable Energy Fund, as discussed previously.

Across the forward estimates, forecast equity movements in the electricity networks sector are intended to maintain the gearing ratios of these businesses over time. Forecast equity movements in the electricity generation sector relate to the $250 million in funding allocated to CleanCo for its Karara Wind Farm.

Over the forward estimates, Port of Townsville will receive $105 million of contributed equity for the Channel Capacity Upgrade project. The Queensland Government has further committed $30 million to upgrade facilities at the Ports North owned Cairns Marine Precinct and fund a business case for future development. Gladstone Ports Corporation, under a project agreement with the Australian Government, is to receive $10 million for new infrastructure at the Port of Bundaberg, subject to completing project milestones.

Queensland Rail will receive an equity injection of $35 million in 2022-23 to support its capital program.

It is projected that Sunwater will receive an equity injection of $100 million in 2023-24 to undertake essential dam safety upgrades at Burdekin Falls Dam.

Table 8.7 Equity movements[1]

	2018-19 Outcome $ million	2019-20 Budget $ million	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Electricity Networks	..	(106)	(67)	(80)	(130)	(80)	(130)
Electricity Generation	(80)	50	(5)	43	182	25	..
Rail	481	..	..	..	..	35	..
Ports	90	40	30	76	48	..	20
Water	(6)	..	(3)	..	..	..	100
Other[2]	(2)	35	323	128	125	125	125
Total PNFC Sector	**483**	**19**	**279**	**167**	**225**	**105**	**115**

Notes:

1. Numbers may not add due to rounding. Bracketed numbers represent equity returns from the PNFC Sector to the General Government Sector.
2. Includes other public corporations such as Stadiums Queensland and potential funding allocations for the Renewable Energy Fund while the operation and application of the fund is being finalised.

9 Uniform Presentation Framework

9.1 Context

This chapter contains detailed financial statements for the Queensland Public Sector prepared under the Uniform Presentation Framework (UPF) first agreed to at the Premier's Conference in 1991.

The UPF has been reviewed a number of times, most significantly following the release in October 2007 of the Australian Accounting Standards Board's (AASB) accounting standard, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The standard aims to harmonise Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) with the objective of improving the clarity and transparency of government financial statements.

The UPF was reviewed, most recently, in February 2019 following the 2015 update to the Australian GFS Framework. The changes formalised the revised reporting that had already been adopted by Queensland in the 2018-19 Budget. In addition, this chapter provides:

- a time series for the General Government Sector using the revised UPF
- details of General Government Sector grant revenue and expenses
- details of General Government Sector dividend and income tax equivalent income
- data on General Government Sector expenses and purchases of non-financial assets by function
- details of taxation revenue collected by the General Government Sector
- contingent liabilities
- background information on the revised UPF and disclosure differences arising from it including the conceptual basis, sector definitions and a list of reporting entities.

9.2 Uniform Presentation Framework financial information

The tables on the following pages present operating statements, balance sheets and cash flow statements prepared on the harmonised basis for the General Government, Public Non-financial Corporations (PNFC) and Non-financial Public sectors.

Under the UPF requirements, budgeted financial information for the Public Financial Corporations sector is not included.

Table 9.1 General Government Sector Operating Statement[1]

		2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
	Revenue from Transactions					
	Taxation revenue	14,585	14,330	15,347	16,130	16,967
	Grants revenue	27,641	29,094	30,697	32,087	33,454
	Sales of goods and services	5,618	5,975	6,152	6,243	6,532
	Interest income	2,076	1,882	2,374	2,418	2,460
	Dividend and income tax equivalent income	1,929	1,179	1,202	1,174	1,298
	Other revenue	5,915	3,788	4,732	5,342	5,616
	Total Revenue from Transactions	**57,764**	**56,249**	**60,504**	**63,394**	**66,326**
Less	**Expenses from Transactions**					
	Employee expenses	25,660	26,470	26,848	27,864	28,962
	Superannuation expenses					
	Superannuation interest cost	354	246	189	184	200
	Other superannuation expenses	3,183	3,231	3,238	3,352	3,431
	Other operating expenses	17,087	16,956	16,525	16,665	17,252
	Depreciation and amortisation	4,033	4,251	4,416	4,580	4,775
	Other interest expenses	1,486	1,725	1,790	1,884	1,996
	Grants expenses	11,695	12,003	11,801	11,345	11,098
	Total Expenses from Transactions	**63,498**	**64,881**	**64,806**	**65,874**	**67,715**
Equals	**Net Operating Balance**	**(5,734)**	**(8,633)**	**(4,303)**	**(2,480)**	**(1,389)**
Plus	Other economic flows - included in operating result	(5,015)	4,146	188	115	413
Equals	**Operating Result**	**(10,749)**	**(4,486)**	**(4,115)**	**(2,366)**	**(975)**
Plus	Other economic flows - other movements in equity	2,976	2,294	1,728	2,200	3,678
Equals	**Comprehensive Result - Total Change In Net Worth**	**(7,773)**	**(2,192)**	**(2,387)**	**(166)**	**2,703**
	KEY FISCAL AGGREGATES					
	Net Operating Balance	(5,734)	(8,633)	(4,303)	(2,480)	(1,389)
Less	**Net Acquisition of Non-financial Assets**					
	Purchases of non-financial assets	6,291	7,572	8,136	8,078	7,762
	Less Sales of non-financial assets	230	255	270	259	261
	Less Depreciation	4,033	4,251	4,416	4,580	4,775
	Plus Change in inventories	107	19	33	(8)	(54)
	Plus Other movements in non-financial assets	1,289	1,724	1,298	934	310
	Equals **Total Net Acquisition of Non-financial Assets**	3,424	4,808	4,782	4,166	2,982
Equals	**Fiscal Balance**	**(9,158)**	**(13,440)**	**(9,085)**	**(6,647)**	**(4,370)**

Note:
1. Numbers may not add due to rounding.

Table 9.2 Public Non-financial Corporations Sector Operating Statement[1]

		2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
	Revenue from Transactions					
	Grants revenue	646	577	644	600	584
	Sales of goods and services	12,359	11,610	12,163	12,252	12,711
	Interest income	87	70	79	82	87
	Dividend and income tax equivalent income	14	13	..	..	..
	Other revenue	482	337	368	388	363
	Total Revenue from Transactions	**13,589**	**12,607**	**13,254**	**13,321**	**13,745**
Less	**Expenses from Transactions**					
	Employee expenses	2,087	2,196	2,260	2,313	2,373
	Superannuation expenses					
	Superannuation interest cost	(5)	..	..	..	..
	Other superannuation expenses	237	228	236	243	251
	Other operating expenses	5,129	4,437	4,552	4,630	4,748
	Depreciation and amortisation	2,719	2,916	3,070	3,097	3,100
	Other interest expenses	1,776	1,745	1,685	1,605	1,561
	Grants expenses	(19)	24	24	25	25
	Other property expenses	737	435	435	406	428
	Total Expenses from Transactions	**12,662**	**11,981**	**12,263**	**12,320**	**12,486**
Equals	**Net Operating Balance**	**927**	**626**	**991**	**1,002**	**1,259**
Plus	Other economic flows - included in operating result	(944)	(15)	(59)	(181)	(331)
Equals	**Operating Result**	**(17)**	**611**	**932**	**821**	**928**
Plus	Other economic flows - other movements in equity	(651)	(319)	105	78	31
Equals	**Comprehensive Result - Total Change In Net Worth**	**(668)**	**292**	**1,037**	**898**	**959**
	KEY FISCAL AGGREGATES					
	Net Operating Balance	927	626	991	1,002	1,259
Less	**Net Acquisition of Non-financial Assets**					
	Purchases of non-financial assets	3,156	3,460	3,674	3,449	3,242
	Less Sales of non-financial assets	36	44	47	16	11
	Less Depreciation	2,719	2,916	3,070	3,097	3,100
	Plus Change in inventories	50	37	6	..	11
	Plus Other movements in non-financial assets	170	120	106	110	114
	Equals **Total Net Acquisition of Non-financial Assets**	621	656	669	446	256
Equals	**Fiscal Balance**	**306**	**(30)**	**322**	**556**	**1,003**

Note:
1. Numbers may not add due to rounding.

Table 9.3 Non-financial Public Sector Operating Statement[1]

		2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
	Revenue from Transactions					
	Taxation revenue	14,254	14,024	15,034	15,817	16,638
	Grants revenue	27,674	29,115	30,708	32,098	33,466
	Sales of goods and services	15,596	14,956	15,445	15,794	16,646
	Interest income	2,140	1,921	2,419	2,465	2,512
	Dividend and income tax equivalent income	141	130	129	162	179
	Other revenue	6,351	4,124	5,098	5,728	5,977
	Total Revenue from Transactions	**66,156**	**64,271**	**68,833**	**72,064**	**75,417**
Less	**Expenses from Transactions**					
	Employee expenses	27,629	28,544	28,984	30,051	31,209
	Superannuation expenses					
	Superannuation interest cost	349	246	189	184	200
	Other superannuation expenses	3,421	3,459	3,474	3,595	3,683
	Other operating expenses	19,768	18,757	18,200	18,587	19,394
	Depreciation and amortisation	6,752	7,167	7,486	7,677	7,875
	Other interest expenses	3,070	3,265	3,261	3,278	3,331
	Grants expenses	11,062	11,471	11,192	10,781	10,550
	Total Expenses from Transactions	**72,049**	**72,908**	**72,786**	**74,152**	**76,242**
Equals	**Net Operating Balance**	**(5,893)**	**(8,637)**	**(3,953)**	**(2,088)**	**(825)**
Plus	Other economic flows - included in operating result	(6,033)	4,051	(8)	(145)	(47)
Equals	**Operating Result**	**(11,926)**	**(4,586)**	**(3,961)**	**(2,233)**	**(872)**
Plus	Other economic flows - other movements in equity	4,153	2,394	1,574	2,068	3,574
Equals	**Comprehensive Result - Total Change In Net Worth**	**(7,773)**	**(2,192)**	**(2,387)**	**(166)**	**2,703**
	KEY FISCAL AGGREGATES					
	Net Operating Balance	(5,893)	(8,637)	(3,953)	(2,088)	(825)
Less	**Net Acquisition of Non-financial Assets**					
	Purchases of non-financial assets	9,467	11,032	11,811	11,527	11,004
	Less Sales of non-financial assets	266	300	317	275	271
	Less Depreciation	6,752	7,167	7,486	7,677	7,875
	Plus Change in inventories	156	55	40	(8)	(43)
	Plus Other movements in non-financial assets	1,460	1,844	1,403	1,045	424
	Equals **Total Net Acquisition of Non-financial Assets**	4,065	5,464	5,451	4,612	3,238
Equals	**Fiscal Balance**	**(9,958)**	**(14,101)**	**(9,404)**	**(6,700)**	**(4,063)**

Note:
1. Numbers may not add due to rounding.

Table 9.4 General Government Sector balance sheet[1]

	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Assets					
Financial Assets					
Cash and deposits	1,205	1,005	944	905	1,005
Advances paid	1,280	1,415	1,535	1,566	1,334
Investments, loans and placements	29,580	34,851	35,473	36,102	36,823
Receivables	4,490	4,459	3,441	4,176	4,486
Equity					
Investments in other public sector entities	21,560	21,852	22,889	23,787	24,746
Investments - other	163	164	164	164	164
Total Financial Assets	**58,278**	**63,745**	**64,446**	**66,700**	**68,558**
Non-financial Assets					
Land and other fixed assets	223,280	235,537	241,580	247,113	251,825
Other non-financial assets	6,928	6,965	7,072	7,158	7,349
Total Non-financial Assets	**230,207**	**242,503**	**248,653**	**254,271**	**259,174**
Total Assets	**288,485**	**306,247**	**313,099**	**320,971**	**327,732**
Liabilities					
Payables	5,729	4,470	4,531	4,596	4,654
Superannuation liability	27,808	27,475	26,784	25,583	22,859
Other employee benefits	8,327	8,532	8,733	8,946	9,023
Advances received	1,845	1,506	1,333	1,196	1,324
Borrowing with QTC	37,570	53,501	64,525	73,924	80,653
Leases and other similar arrangements	6,499	7,565	7,408	7,484	7,768
Securities and derivatives	198	198	198	198	198
Other liabilities	6,779	11,463	10,435	10,058	9,563
Total Liabilities	**94,754**	**114,708**	**123,947**	**131,985**	**136,042**
Net Worth	**193,731**	**191,539**	**189,152**	**188,987**	**191,689**
Net Financial Worth	(36,476)	(50,963)	(59,500)	(65,285)	(67,484)
Net Financial Liabilities	58,036	72,815	82,389	89,072	92,231
Net Debt	14,046	25,499	35,511	44,228	50,782

Notes:
1. Numbers may not add due to rounding.

Table 9.5 Public Non-financial Corporations Sector balance sheet[1]

	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Assets					
Financial Assets					
Cash and deposits	889	945	890	1,012	1,177
Advances paid	1,491	1,216	1,102	1,021	1,200
Investments, loans and placements	1,787	845	723	652	618
Receivables	1,484	1,495	1,568	1,518	1,535
Equity					
Investments - other	279	9	9	9	9
Total Financial Assets	**5,930**	**4,510**	**4,292**	**4,212**	**4,540**
Non-financial Assets					
Land and other fixed assets	63,522	64,960	66,408	67,565	68,459
Other non-financial assets	1,388	1,417	1,495	1,587	1,709
Total Non-financial Assets	**64,910**	**66,377**	**67,903**	**69,152**	**70,168**
Total Assets	**70,840**	**70,887**	**72,196**	**73,364**	**74,707**
Liabilities					
Payables	2,210	1,718	1,846	1,867	2,003
Superannuation liability	(152)	(149)	(149)	(149)	(148)
Other employee benefits	911	923	935	949	964
Deposits held	13	13	13	13	13
Advances received	6	5	4	4	3
Borrowing with QTC	38,894	39,967	40,101	40,294	40,385
Leases and other similar arrangements	492	468	436	400	366
Securities and derivatives	1,315	529	427	377	359
Other liabilities	8,183	8,152	8,285	8,413	8,608
Total Liabilities	**51,871**	**51,626**	**51,898**	**52,168**	**52,552**
Net Worth	**18,969**	**19,261**	**20,298**	**21,196**	**22,155**
Net Financial Worth	(45,941)	(47,116)	(47,605)	(47,956)	(48,013)
Net Debt	36,552	37,975	38,266	38,402	38,131

Note:
1. Numbers may not add due to rounding.

Table 9.6 Non-financial Public Sector balance sheet[1]

	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Assets					
Financial Assets					
Cash and deposits	2,094	1,949	1,834	1,917	2,182
Advances paid	1,274	1,410	1,541	1,580	1,349
Investments, loans and placements	31,366	35,696	36,196	36,753	37,441
Receivables	4,669	5,145	4,108	4,736	4,957
Equity					
Investments in other public sector entities	2,592	2,592	2,599	2,598	2,597
Investments - other	442	173	173	173	173
Total Financial Assets	**42,438**	**46,964**	**46,450**	**47,756**	**48,699**
Non-financial Assets					
Land and other fixed assets	286,800	300,496	307,987	314,677	320,283
Other non-financial assets	1,236	1,228	1,244	1,179	1,178
Total Non-financial Assets	**288,037**	**301,724**	**309,232**	**315,857**	**321,462**
Total Assets	**330,475**	**348,688**	**355,682**	**363,613**	**370,160**
Liabilities					
Payables	6,676	5,421	5,518	5,548	5,636
Superannuation liability	27,656	27,326	26,635	25,435	22,711
Other employee benefits	9,238	9,456	9,668	9,896	9,987
Deposits held	13	13	13	13	13
Advances received	354	289	240	191	143
Borrowing with QTC	76,464	93,467	104,626	114,217	121,039
Leases and other similar arrangements	6,991	8,033	7,843	7,884	8,135
Securities and derivatives	1,505	720	618	567	549
Other liabilities	7,847	12,425	11,368	10,874	10,259
Total Liabilities	**136,743**	**157,149**	**166,530**	**174,626**	**178,471**
Net Worth	**193,731**	**191,539**	**189,152**	**188,987**	**191,689**
Net Financial Worth	(94,305)	(110,185)	(120,079)	(126,870)	(129,772)
Net Financial Liabilities	96,897	112,777	122,678	129,468	132,369
Net Debt	50,592	63,467	73,770	82,624	88,906

Note:

1. Numbers may not add due to rounding.

Table 9.7 General Government Sector Cash Flow Statement[1]

	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Cash Receipts from Operating Activities					
Taxes received	13,870	13,749	16,605	16,128	16,965
Grants and subsidies received	28,841	27,948	30,673	31,542	33,378
Sales of goods and services	6,055	6,245	6,415	6,513	6,807
Interest receipts	1,997	2,017	2,372	2,416	2,458
Dividends and income tax equivalents	2,756	1,690	1,121	1,101	1,198
Other receipts	7,048	5,011	5,899	6,480	6,599
Total Operating Receipts	**60,567**	**56,661**	**63,084**	**64,180**	**67,405**
Cash Payments for Operating Activities					
Payments for employees	(29,332)	(30,442)	(30,823)	(32,041)	(33,304)
Payments for goods and services	(19,019)	(19,128)	(19,249)	(18,654)	(19,179)
Grants and subsidies	(10,928)	(11,993)	(11,755)	(11,223)	(11,053)
Interest paid	(1,460)	(1,679)	(1,725)	(1,813)	(1,917)
Other payments	(8)	..	..	..	..
Total Operating Payments	**(60,747)**	**(63,243)**	**(63,552)**	**(63,731)**	**(65,453)**
Net Cash Inflows from Operating Activities	**(180)**	**(6,581)**	**(468)**	**449**	**1,952**
Cash Flows from Investments in Non-Financial Assets					
Purchases of non-financial assets	(6,291)	(7,572)	(8,136)	(8,078)	(7,762)
Sales of non-financial assets	230	255	270	259	261
Net Cash Flows from Investments in Non-financial Assets	**(6,061)**	**(7,316)**	**(7,867)**	**(7,819)**	**(7,501)**
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**(941)**	**(305)**	**(364)**	**(163)**	**90**
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**4,391**	**(822)**	**(622)**	**(628)**	**(726)**
Receipts from Financing Activities					
Advances received (net)	(847)	(337)	(170)	(135)	131
Borrowing (net)	2,975	15,162	9,430	8,257	6,155
Net Cash Flows from Financing Activities	**2,128**	**14,825**	**9,261**	**8,122**	**6,286**
Net Increase/(Decrease) in Cash held	**(663)**	**(201)**	**(61)**	**(39)**	**100**
Net cash from operating activities	(180)	(6,581)	(468)	449	1,952
Net cash flows from investments in non-financial assets	(6,061)	(7,316)	(7,867)	(7,819)	(7,501)
Surplus/(Deficit)	**(6,241)**	**(13,898)**	**(8,335)**	**(7,370)**	**(5,549)**
Derivation of ABS GFS Cash Surplus/Deficit					
Cash surplus/(deficit)	(6,241)	(13,898)	(8,335)	(7,370)	(5,549)
Acquisitions under finance leases and similar arrangements	(1,263)	(1,571)	(1,119)	(829)	(128)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	**(7,503)**	**(15,468)**	**(9,454)**	**(8,200)**	**(5,677)**

Note:
1. Numbers may not add due to rounding.

Table 9.8 Public Non-financial Corporations Sector Cash Flow Statement[1]

	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Cash Receipts from Operating Activities					
Grants and subsidies received	643	589	615	590	571
Sales of goods and services	14,582	13,155	13,746	13,943	14,364
Interest receipts	88	70	79	82	87
Dividends and income tax equivalents	14	13	..	..	..
Other receipts	373	232	267	283	255
Total Operating Receipts	**15,701**	**14,059**	**14,708**	**14,898**	**15,277**
Cash Payments for Operating Activities					
Payments for employees	(2,219)	(2,406)	(2,484)	(2,542)	(2,609)
Payments for goods and services	(6,307)	(5,788)	(5,892)	(6,051)	(6,098)
Grants and subsidies	(263)	(67)	(24)	(25)	(25)
Interest paid	(1,771)	(1,736)	(1,684)	(1,606)	(1,561)
Other payments	(1,471)	(973)	(875)	(845)	(994)
Total Operating Payments	**(12,030)**	**(10,969)**	**(10,960)**	**(11,068)**	**(11,287)**
Net Cash Inflows from Operating Activities	**3,671**	**3,089**	**3,747**	**3,830**	**3,990**
Cash Flows from Investments in Non-Financial Assets					
Purchases of non-financial assets	(3,156)	(3,460)	(3,674)	(3,449)	(3,242)
Sales of non-financial assets	36	44	47	16	11
Net Cash Flows from Investments in Non-financial Assets	**(3,120)**	**(3,416)**	**(3,627)**	**(3,433)**	**(3,231)**
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**707**	**195**	**(16)**	**1**	**(308)**
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**(29)**	**(15)**	**(12)**	**(13)**	**(14)**
Receipts from Financing Activities					
Advances received (net)	5	(1)	(1)	(1)	(1)
Borrowing (net)	733	1,030	94	149	49
Dividends paid	(1,799)	(1,071)	(630)	(641)	(609)
Deposits received (net)	(1)	..	..	..	..
Other financing (net)	19	243	390	230	290
Net Cash Flows from Financing Activities	**(1,043)**	**202**	**(147)**	**(263)**	**(272)**
Net Increase/(Decrease) in Cash held	**186**	**55**	**(55)**	**122**	**165**
Net cash from operating activities	3,671	3,089	3,747	3,830	3,990
Net cash flows from investments in non-financial assets	(3,120)	(3,416)	(3,627)	(3,433)	(3,231)
Dividends paid	(1,799)	(1,071)	(630)	(641)	(609)
Surplus/(Deficit)	**(1,248)**	**(1,397)**	**(510)**	**(245)**	**150**
Derivation of ABS GFS Cash Surplus/Deficit					
Cash surplus/(deficit)	(1,248)	(1,397)	(510)	(245)	150
Acquisitions under finance leases and similar arrangements	(54)	(14)	(5)	(6)	(6)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	**(1,302)**	**(1,412)**	**(515)**	**(251)**	**143**

Note:
1. Numbers may not add due to rounding.

Table 9.9 Non-financial Public Sector Cash Flow Statement[1]

	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Cash Receipts from Operating Activities					
Taxes received	13,543	13,444	16,292	15,816	16,637
Grants and subsidies received	28,875	27,982	30,654	31,543	33,377
Sales of goods and services	18,222	16,407	16,909	17,369	18,192
Interest receipts	2,061	2,057	2,416	2,463	2,510
Dividends and income tax equivalents	81	137	121	145	171
Other receipts	7,441	5,241	6,161	6,758	6,851
Total Operating Receipts	**70,223**	**65,267**	**72,554**	**74,093**	**77,737**
Cash Payments for Operating Activities					
Payments for employees	(31,432)	(32,726)	(33,183)	(34,456)	(35,786)
Payments for goods and services	(22,875)	(21,916)	(21,880)	(21,607)	(22,289)
Grants and subsidies	(10,581)	(11,505)	(11,146)	(10,659)	(10,506)
Interest paid	(3,041)	(3,210)	(3,196)	(3,209)	(3,252)
Other payments	(571)	(473)	(501)	(525)	(572)
Total Operating Payments	**(68,500)**	**(69,830)**	**(69,905)**	**(70,456)**	**(72,405)**
Net Cash Inflows from Operating Activities	**1,723**	**(4,563)**	**2,649**	**3,637**	**5,332**
Cash Flows from Investments in Non-Financial Assets					
Purchases of non-financial assets	(9,467)	(11,032)	(11,811)	(11,527)	(11,004)
Sales of non-financial assets	266	300	317	275	271
Net Cash Flows from Investments in Non-financial Assets	**(9,201)**	**(10,732)**	**(11,494)**	**(11,252)**	**(10,732)**
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**(916)**	**(143)**	**(114)**	**(21)**	**248**
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**4,362**	**(837)**	**(635)**	**(640)**	**(740)**
Receipts from Financing Activities					
Advances received (net)	(64)	(62)	(46)	(47)	(46)
Borrowing (net)	3,708	16,192	9,525	8,406	6,203
Deposits received (net)	(1)	..	..	..	..
Other financing (net)	(88)	..	..	..	..
Net Cash Flows from Financing Activities	**3,555**	**16,130**	**9,479**	**8,360**	**6,157**
Net Increase/(Decrease) in Cash held	**(477)**	**(145)**	**(116)**	**83**	**265**
Net cash from operating activities	1,723	(4,563)	2,649	3,637	5,332
Net cash flows from investments in non-financial assets	(9,201)	(10,732)	(11,494)	(11,252)	(10,732)
Surplus/(Deficit)	**(7,478)**	**(15,295)**	**(8,845)**	**(7,615)**	**(5,400)**
Derivation of ABS GFS Cash Surplus/Deficit					
Cash surplus/(deficit)	(7,478)	(15,295)	(8,845)	(7,615)	(5,400)
Acquisitions under finance leases and similar arrangements	(1,316)	(1,585)	(1,124)	(835)	(134)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	**(8,794)**	**(16,880)**	**(9,969)**	**(8,450)**	**(5,534)**

Note:
1. Numbers may not add due to rounding.

9.3 General Government Sector time series

Data presented in Table 9.10 provides a time series from 2008-09 to 2019-20 for the General Government Sector on the key fiscal aggregates used by the government to measure financial performance. These aggregates have been backcast (as far as possible) to comply with AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

Table 9.10 General Government Sector Time Series[1]

	2008-09 Actual $ million	2009-10 Actual $ million	2010-11 Actual $ million	2011-12 Actual $ million	2012-13 Actual $ million	2013-14 Actual $ million	2014-15 Actual $ million	2015-16 Actual $ million	2016-17 Actual $ million	2017-18 Actual $ million	2018-19 Actual $ million	2019-20 Actual $ million
Revenue from Transactions												
Taxation revenue	8,866	9,375	9,981	10,608	10,937	11,840	12,598	12,547	12,919	13,244	14,165	14,585
Grant revenue	17,481	20,205	20,338	22,652	18,322	21,740	23,583	23,740	27,384	27,966	28,307	27,641
Sales of goods and services	3,648	3,961	4,172	5,002	5,087	5,039	5,443	5,712	5,642	5,884	5,783	5,618
Interest income	1,482	2,204	2,368	2,485	2,644	2,460	2,470	2,543	2,351	2,389	2,191	2,076
Dividend and income tax equivalent income	1,180	949	1,232	1,112	1,351	1,975	2,554	2,661	2,675	2,920	2,784	1,929
Other revenue	4,421	3,033	3,921	3,942	3,415	3,650	3,322	3,577	5,223	5,685	6,598	5,915
Total Revenue	**37,078**	**39,727**	**42,013**	**45,801**	**41,755**	**46,705**	**49,970**	**50,780**	**56,194**	**58,087**	**59,828**	**57,764**
Expenses from Transactions												
Employee expenses	14,310	15,566	16,826	18,250	18,130	17,816	18,592	20,045	21,258	22,681	24,019	25,660
Superannuation expenses												
Superannuation interest costs	858	1,320	1,240	1,216	923	963	878	767	514	667	653	354
Other superannuation expenses	2,012	2,051	2,171	2,301	2,420	2,277	2,319	2,507	2,661	2,741	3,012	3,183
Other operating expenses	7,300	7,568	8,646	9,497	12,817	13,108	14,539	14,811	15,578	17,259	16,480	17,087
Depreciation and amortisation	2,496	2,501	2,507	2,777	2,902	3,060	3,137	2,921	3,068	3,326	3,451	4,033
Other interest expenses	599	803	1,125	1,659	1,940	2,200	2,328	2,220	1,722	1,614	1,581	1,486
Grant expenses	9,525	9,790	10,963	10,327	7,182	6,792	7,758	6,841	8,568	8,048	9,647	11,695
Total Expenses	**37,099**	**39,599**	**43,479**	**46,028**	**46,312**	**46,217**	**49,551**	**50,112**	**53,369**	**56,337**	**58,843**	**63,498**
Net Operating Balance	**(21)**	**128**	**(1,466)**	**(226)**	**(4,558)**	**488**	**420**	**668**	**2,825**	**1,750**	**985**	**(5,734)**
OTHER KEY AGGREGATES												
Purchases of non-financial assets	6,772	8,959	8,237	7,971	7,001	6,323	4,635	4,044	4,620	5,126	5,764	6,291
Net acquisition of non-financial assets	4,349	6,665	5,583	5,241	3,389	3,087	992	1,164	2,265	2,337	3,192	3,424
Fiscal Balance	**(4,371)**	**(6,537)**	**(7,049)**	**(5,467)**	**(7,947)**	**(2,599)**	**(572)**	**(497)**	**560**	**(587)**	**(2,207)**	**(9,158)**
Cash Surplus/(Deficit)	(2,866)	(5,341)	(5,880)	(4,951)	(8,585)	(3,213)	(105)	866	1,448	337	302	(6,241)
Net Worth	184,277	175,588	177,875	170,745	172,963	166,492	171,933	188,099	194,988	195,038	200,861	193,731
Net Debt	(19,251)	(13,354)	(9,542)	(5,720)	2,399	5,208	5,749	653	(355)	(509)	(198)	14,046
Borrowing with QTC[2]	9,671	15,182	23,711	28,391	36,508	39,864	41,343	34,200	31,358	29,256	29,468	37,570
Leases and similar arrangements	637	734	882	1,126	1,370	1,503	1,761	1,286	1,882	2,142	2,612	6,499
Borrowing with QTC (NFPS)	41,726	50,745	52,521	60,205	67,116	70,668	73,256	71,160	69,107	66,964	67,576	76,464
Leases and similar arrangements (NFPS)	637	735	884	1,127	1,559	1,752	1,802	1,316	1,882	2,142	2,612	6,991
Securities and derivatives (NFPS)	282	234	303	210	411	216	175	446	895	405	720	1,505

Notes:
1. Numbers may not add due to rounding.
2. Borrowing with QTC in 2013-14 includes bank overdraft of $1.434 billion.

Source: Report on State Finances for Queensland 2009-10 to 2019-20. (Numbers have been recast for changes to UPF presentation.)

9.4 Other General Government uniform presentation framework data

Data in the following tables is presented in accordance with the UPF.

9.4.1 Grants

Data presented in Tables 9.11 and 9.12 provide details of General Government Sector current and capital grant revenue and expenses.

Table 9.11 General Government Sector grant revenue[1]

	2019-20 Outcome $ million	2020-21 Budget $ million
Current grant revenue		
Current grants from the Commonwealth		
General purpose grants	12,794	12,730
Specific purpose grants	9,018	9,890
Specific purpose grants for on-passing	3,658	3,312
Total current grants from the Commonwealth	25,470	25,932
Other contributions and grants	330	366
Total current grant revenue	**25,800**	**26,298**
Capital grant revenue		
Capital grants from the Commonwealth		
Specific purpose grants	1,803	2,742
Total capital grants from the Commonwealth	1,803	2,742
Other contributions and grants	38	54
Total capital grant revenue	**1,841**	**2,796**
Total grant revenue	**27,641**	**29,094**

Note:
1. Numbers may not add due to rounding.

Table 9.12 General Government Sector grant expenses[1]

	2019-20 Outcome $ million	2020-21 Budget $ million
Current grant expense		
Private and Not-for-profit sector	2,999	2,906
Private and Not-for-profit sector on-passing	3,163	3,089
Local Government	193	362
Local Government on-passing	504	243
Grants to other sectors of Government	2,136	2,532
Other	968	632
Total current grant expense	**9,963**	**9,764**
Capital grant expense		
Private and Not-for-profit sector	529	751
Local Government	1,070	1,330
Grants to other sectors of Government	34	20
Other	98	138
Total capital grant expense	**1,732**	**2,238**
Total grant expense	**11,695**	**12,003**

Note:
1. Numbers may not add due to rounding.

9.4.2 Dividends and income tax equivalent income

Table 9.13 provides details of the source of dividend and income tax equivalent income in the General Government Sector.

Table 9.13 General Government Sector dividend and income tax equivalent income[1]

	2019-20 Outcome $ million	2020-21 Budget $ million
Dividend and Income Tax Equivalent income from PNFC sector	1,802	1,062
Dividend and Income Tax Equivalent income from PFC sector	127	117
Total Dividend and Income Tax Equivalent income	**1,929**	**1,179**

Note:
1. Numbers may not add due to rounding.

9.4.3 Expenses by function

Data presented in Table 9.14 provides details of General Government Sector expenses by function.

Table 9.14 General Government Sector expenses by function[1]

	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
General public services	6,829	5,730	5,071	5,035	5,157
Public order and safety	5,635	5,953	5,763	5,994	6,225
Economic affairs	1,981	2,434	2,086	1,965	1,921
Environmental protection	939	791	747	694	646
Housing and community amenities	983	1,084	1,174	1,142	1,120
Health	19,258	20,184	20,112	20,588	21,673
Recreation, culture and religion	920	856	825	795	768
Education	15,404	15,586	16,639	17,226	17,776
Social protection	4,994	5,282	5,053	5,111	5,244
Transport	6,554	6,980	7,336	7,325	7,184
Total Expenses	**63,498**	**64,881**	**64,805**	**65,875**	**67,715**

Note:
1. Numbers may not add due to rounding.

9.4.4 Purchases of non-financial assets by function

Data presented by Table 9.15 provides details of General Government Sector purchases of non-financial assets by function.

Table 9.15 General Government Sector purchases of non-financial assets by function[1]

	2019-20 Outcome $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
General public services	218	190	360	501	10
Public order and safety	501	629	524	446	259
Economic affairs	31	43	65	40	32
Environmental protection	66	42	37	24	26
Housing and community amenities	326	480	388	211	224
Health	706	993	1,493	949	437
Recreation, culture and religion	78	103	80	73	29
Education	1,177	1,631	831	542	596
Social protection	50	51	36	31	10
Transport	3,138	3,410	4,324	5,262	6,140
Total Purchases	**6,291**	**7,572**	**8,136**	**8,078**	**7,762**

Note:
1. Numbers may not add due to rounding.

9.4.5 Taxes

Data presented in Table 9.16 provides details of taxation revenue collected by the General Government Sector.

Table 9.16 General Government Sector taxes[1]

	2019-20 Outcomes $ million	2020-21 Budget $ million
Taxes on employers' payroll and labour force	4,211	3,896
Taxes on property		
Land taxes	1,406	1,493
Stamp duties on financial and capital transactions	3,041	2,694
Other	1,165	1,195
Taxes on the provision of goods and services		
Taxes on gambling	1,258	1,477
Taxes on insurance	1,060	1,078
Taxes on use of goods and performance of activities		
Motor vehicle taxes	2,443	2,496
Total Taxation Revenue	**14,585**	**14,330**

Note:
1. Numbers may not add due to rounding.

9.5 Contingent liabilities

Contingent liabilities represent items that are not included in the budget as significant uncertainty exists as to whether the government would sacrifice future economic benefits in respect of these items. Nevertheless, such contingencies need to be recognised and managed wherever possible in terms of their potential impact on the government's financial position in the future.

The state's quantifiable and non-quantifiable contingent liabilities are detailed in the *2019-20 Report on State Finances* – whole-of-government financial statements (note 43).

A summary of the state's quantifiable contingent liabilities as at 30 June 2020 is provided in Table 9.17.

Table 9.17 Contingent liabilities

	2019-20 $ million
Nature of contingent liability	
Guarantees and indemnities	13,217
Other	155
Total	**13,371**

9.6 Background and interpretation of uniform presentation framework

As mentioned in the introduction to this chapter, the UPF was reviewed in 2007 following the release of the AASB accounting standard, AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

This standard aims to harmonise GFS and GAAP with the objective of improving the clarity and transparency of government financial statements.

9.6.1 Accrual Government Finance Statistics framework

The GFS reporting framework, developed by the Australian Bureau of Statistics (ABS), is based on international statistics standards (the International Monetary Fund Manual on Government Finance Statistics and the United Nations System of National Accounts). This allows comprehensive assessments to be made of the economic impact of government.

The accrual GFS framework is based on an integrated recording of stocks and flows. Stocks refers to a unit's holdings of assets and liabilities at a point in time, whilst flows represent the movement in the stock of assets and liabilities between two points in time. Flows comprise two separate types, transactions and other economic flows. Transactions come about from mutually agreed interactions between units or within a single unit. Other economic flows would include revaluations and destruction or discovery of assets that do not result from a transaction.

In GFS operating statements, other economic flows, being outside of the control of government, are excluded and do not affect the net operating balance or fiscal balance.

9.6.2 Generally Accepted Accounting Principles

In addition to the GFS framework, public sector entities were previously required to report at year end against AAS 31 Financial Reporting by Government, which meant complying with the Accounting Standards issued by the AASB.

9.6.3 Harmonisation under AASB 1049

This dual reporting regime caused confusion for financial report users and the Financial Reporting Council asked the AASB to develop a framework harmonising GAAP and GFS and to issue an Australian accounting standard for a single set of government reports.

In the development of the AASB 1049, the AASB adopted the following approaches:

- adoption of GAAP definition, recognition and measurement principles in almost all cases
- amending presentation requirements to encompass a comprehensive result that retains GAAP classification system but overlays it with a transaction and other economic flows classification system based on GFS
- expanding the disclosure requirements to incorporate key fiscal aggregates required by GFS.

9.6.4 Revisions to the Uniform Presentation Framework

Following the introduction of AASB 1049, the Australian, state and territory governments consider that the UPF will continue to be an important framework for ensuring comparability of financial information across jurisdictions. The UPF shall continue to apply to financial statements produced by government in budgets, mid-year budget updates and final budget outcome reports, whereas the accounting standard applies only to outcome reports.

Aligning the framework with the AASB 1049 was not intended to create a UPF that complies with all the reporting requirements of AASB 1049. For example, the UPF does not include the same level of detail in relation to disclosure requirements of AASB 1049. Instead, the revised UPF allows jurisdictions to utilise the framework as the base set of statements and add additional relevant information to comply with AASB 1049.

9.7 Sector classification

GFS data is presented by institutional sector, distinguishing between the General Government Sector and the PNFC Sector.

Budget reporting focuses on the General Government Sector, which provides regulatory services, and goods and services of a non-market nature that are provided at less than cost or at no cost. These services are largely financed by general revenue (Australian Government grants and state taxation). This service comprises government departments, their commercialised business units/shared service providers and certain statutory bodies.

The PNFC Sector comprises bodies that provide mainly market goods and services that are of a non-regulatory and non-financial nature. PNFCs are financed through sales to consumers of their goods and services and may be supplemented by explicit government subsidy to satisfy community service obligations. In general, PNFCs are legally distinguishable from the governments that own them. Examples of PNFCs include the energy entities and Queensland Rail.

Together, the General Government Sector and the PNFC Sector comprise the Non-financial Public Sector.

Further discussion of the GFS framework of reporting, including definitions of GFS terms, can be obtained from the webpage of the ABS at www.abs.gov.au.

9.8 Reporting entities

The reporting entities included in the General Government and PNFC sectors in these Budget Papers are included below.

9.8.1 General Government

Departments

Agriculture and Fisheries

Children, Youth Justice and Multicultural Affairs

Communities, Housing and Digital Economy

Education

Employment, Small Business and Training

Energy and Public Works

Environment and Science

Justice and Attorney-General

Premier and Cabinet

Public Safety Business Agency

Queensland Corrective Services

Queensland Fire and Emergency Services

Queensland Health

Queensland Police Service

Queensland Treasury

Regional Development, Manufacturing and Water

Resources

Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships

State Development, Infrastructure, Local Government and Planning

Tourism, Innovation and Sport

Transport and Main Roads

Commercialised Business Units

CITEC

Economic Development Queensland

QBuild

QFleet

RoadTek

Shared Service Providers

Corporate Administration Agency

Queensland Shared Services

Other General Government entities

Board of the Queensland Museum

Crime and Corruption Commission

Cross River Rail Delivery Authority

Electoral Commission of Queensland

Gold Coast Waterways Authority

Health and Wellbeing Queensland

Hospital and Health Services

- Cairns and Hinterland
- Central Queensland
- Central West
- Children's Health Queensland
- Darling Downs
- Gold Coast
- Mackay
- Metro North
- Metro South
- North West
- South West
- Sunshine Coast
- Torres and Cape
- Townsville
- West Moreton
- Wide Bay

Legal Aid Queensland

Legislative Assembly

Library Board of Queensland

Motor Accident Insurance Commission

Nominal Defendant

Office of the Governor

Office of the Health Ombudsman

Office of the Information Commissioner

Office of the Inspector-General Emergency Management

Office of the Ombudsman

Prostitution Licensing Authority

Public Service Commission

Queensland Art Gallery Board of Trustees

Queensland Audit Office

Queensland Building and Construction Commission

Queensland Curriculum and Assessment Authority

Queensland Family and Child Commission

Queensland Human Rights Commission

Queensland Mental Health Commission

Queensland Performing Arts Trust

Queensland Racing Integrity Commission

Queensland Reconstruction Authority

Queensland Rural and Industry Development Authority

Residential Tenancies Authority

South Bank Corporation

TAFE Queensland

The Council of the Queensland Institute of Medical Research

The Public Trustee of Queensland

Tourism and Events Queensland

Trade and Investment Queensland

9.8.2 Public Non-financial Corporations

CleanCo Queensland Ltd

CS Energy Limited

Energy Queensland Limited

Far North Queensland Ports Corporations Limited

Gladstone Area Water Board

Gladstone Ports Corporation Limited

Mount Isa Water Board

North Queensland Bulk Ports Corporation Limited

Port of Townsville Limited

Powerlink Queensland

Queensland Bulk Water Supply Authority (SEQ Water)

Queensland Rail

Queensland Treasury Holdings Pty Ltd

Stadiums Queensland

Stanwell Corporation Limited

Sunwater Limited

Appendix A: Concessions Statement

Context

The Queensland Government provides a wide range of concessions across a variety of services and products. Concessions include targeted discounts, rebates and subsidies for Queenslanders and Queensland businesses based on eligibility criteria (e.g. factors such as age, income, special needs, location, or business characteristics), as well as broader concession arrangements to reduce prices paid by consumers of transport, electricity and water services.

The majority of Queenslanders benefit from at least one Queensland Government concession and, in many cases, may benefit from multiple concessions each year. For example, aged pensioners are eligible for a number of Queensland Government concessions, such as discounts on their council rates, water, gas and electricity bills, and vehicle registration fees, as well as subsidised optometry and dental services.

In the context of the coronavirus (COVID-19) crisis and the resulting impacts on economic activity, businesses and households across the state, the Queensland Government introduced a wide variety of concessions providing support for individuals, households and businesses which aim to reduce the cost of living or the cost of doing business. Some of these are time-limited given the need for targeted, but temporary relief. These are also outlined in the Concessions Statement.

Further information on the eligibility requirements and benefits of a range of government concessions can be found at the links below:

http://www.qld.gov.au/community/cost-of-living-support/concessions/

https://www.business.qld.gov.au/running-business/covid-19-recovery

Focus

This statement highlights the cost and nature of concessions provided by the Queensland Government. It covers both concessions that are direct budget outlays (e.g. fee subsidy payments) and concessions that are revenue foregone through fees and charges that are set at a lower rate than applies to the wider community and other businesses or, in the case of broader concessions, deliver services to all consumers at less than the full cost of service provision.

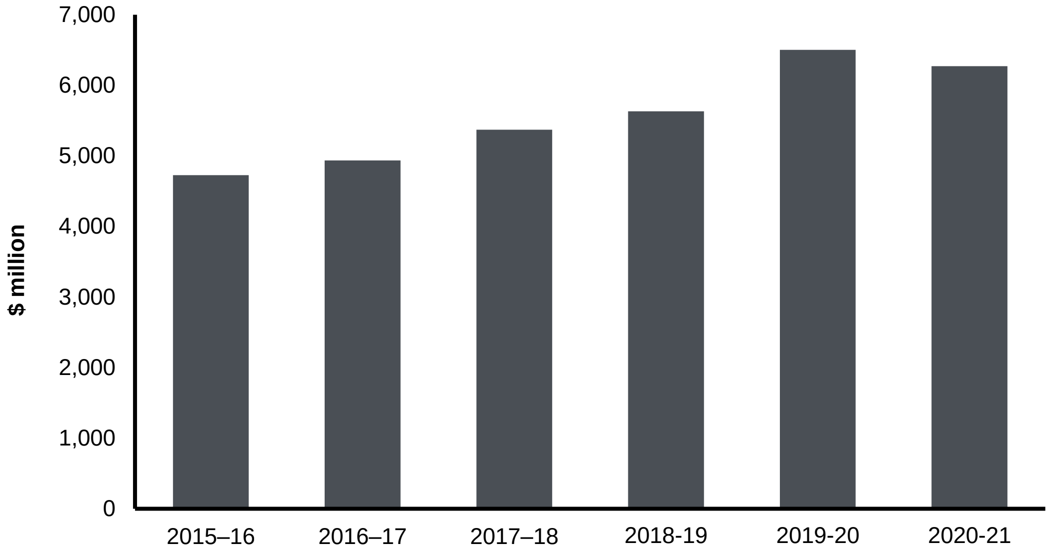
Section A.2 sets out the specific concessions provided by the Queensland Government by key areas of service delivery.[10] Section A.3 sets out the concessions provided by government-owned corporations (GOCs) and is separated into concessions by GOC, concessional leases (industry,

[10] Section A.2 of the Concessions Statement for 2020-21 is organised according to key areas of service delivery, which closely align with the structure of Queensland Government departments prior to the machinery-of-government (MOG) changes following the 2020 Queensland election. The Concessions Statement for 2021-22 will revert back to reporting by government department.

commercial and community) by GOC and COVID-19-related measures by GOC. Within each area of service delivery or GOC, concessions are listed in descending order of value.

The total value of all concessions is estimated to be $6.271 billion in 2020–21. While this Concessions Statement reports a decrease in the estimated value of concessions from 2019-20 to 2020-21—due to the significant support provided in 2019-20 in response to the COVID-19 pandemic and the nature of Queensland's recovery (see Box A.1)—the estimated value of concessions for 2020-21 is still $640 million higher than the concessions reported for 2018-19 in the 2019-20 Concessions Statement (see Chart A.1).

Chart A.1 Total concessions value by year[1]



Note:

1. 2015-16 to 2018-19 is estimated actual; 2019-20 is actual; and 2020-21 is estimated.

This represents a significant commitment to support Queenslanders and Queensland businesses, by improving the accessibility and affordability of a diverse range of services, thereby helping ease cost of living pressures and reduce business expenses. Concessions will continue to provide critical support for households and businesses across the state as the community and economy continue to recover from COVID-19.

Box A.1 Concessions supporting households and business through COVID-19

The COVID-19 pandemic has ravaged economies and communities globally and Queensland is not immune from its effects. It has created global and local economic challenges and diminished community wellbeing. The Queensland Government made a swift and sustained response to the crisis—in terms of both health responses and providing substantial support to Queensland households and businesses.

The Queensland Government's *Unite and Recover: Queensland's Economic Recovery Plan*, highlighted initiatives totalling more than $7 billion to support jobs and the economic capacity of Queensland. Building on this support, the government has committed to a significant package of election commitments totalling $4.3 billion over four years. These measures provide essential support for service delivery as well as continued resources for COVID-19 support and recovery.

As part of this response, the government introduced a range of waivers, discounts, subsidies, and other relief measures in relation to electricity costs, rent, concessional loans, licensing fees, advisory services, and a range of other household and business costs to support those impacted by COVID-19.

The 2020-21 Concessions Statement includes reporting on these COVID-19-related concessions, which amount to more than $900 million in support for individuals, households and businesses across 2019-20 and 2020-21.

This includes over $500 million in utility rebates for households and small-to-medium enterprises, providing vital cost-of-living and cashflow support across the state.

Another key measure was the COVID-19 Jobs Support Loan Scheme, which provided $1 billion in concessional loans to support businesses and non-profits impacted by COVID-19 to retain employees and maintain operations. The concessional value of these loans, reflecting the reduced interest payable relative to market rates, is estimated at $188.9 million.

Rent relief is another key COVID-19-related concession provided by the government, with nearly $50 million in land rent waivers alone provided to Land Act lessees, licensees, and permit-to-occupy holders. Rent relief for businesses who hold a lease on government premises was also provided to support a broad range of tenants across many sectors of the economy.

Over $60 million was also provided to support transport services, including aviation providers, ferry service operators and regional bus operators, as well as assistance with licence renewal fees and vehicle inspections and registrations.

Other COVID-19-related concessions includes a range of assistance measures across many sectors of the economy in regions across the state; such as business counselling and financial advisory services; subsidies for accommodation and travel; various registration and licencing fee waivers; reduced or waived annual fees; and other sector-specific assistance measures.

Explanation of scope

For the purposes of this document, concessions include:

- discounts, rebates and subsidies to improve access to, and the affordability of, a range of services for individuals, families or businesses based on eligibility criteria (e.g. relating to factors such as age, income, special needs, location, or business characteristics)
- concessional prices for government services, where the price charged to all consumers, including businesses, is less than the full cost of service provision.

Both General Government and Public Non–financial Corporations (PNFC) Sector concessions are included in this statement. Where a payment is made from a General Government Sector agency to a PNFC entity for a concession arrangement, the expenditure is reported against the General Government Sector agency only to avoid double counting.

To be included in this statement, concessions must meet the minimum materiality threshold of estimated expenditure or revenue foregone of $50,000 in 2020-21.[11]

Varying methods have been used to estimate the cost of concessions depending on the nature of the concessions, including:

- direct budget outlay cost (e.g. direct subsidy or rebate payments or government's contribution in the case of items such as rental subsidies)
- revenue foregone (e.g. concessional fees and charges)
- cost of goods and services provided.

For the purposes of illustration, the document often uses averages to demonstrate the potential value of the concession to recipients. However, averages are not reflective of individual circumstances, meaning the actual dollar value of the concession to individual recipients may vary from person to person or business to business.

The Concessions Statement does not include tax expenditures (e.g. tax exemptions, reduced tax rates, tax rebates and deductions). Information on tax expenditures can be found in Appendix B – Tax Expenditure Statement.

[11] Note, as an exception to this rule, where COVID-19-related concessions meet the threshold in 2019-20 but not 2020-21, they have been included in the 2020-21 Concessions Statement, since these concessions did not exist at the time of preparation of the 2019-20 Concessions Statement.

A.1 Concessions summary

Table A.1.1 Concession by key area of service delivery and GOC[1]

Concession by key area of service delivery and GOC	2019-20 Actual $ million	2020-21 Estimate $ million
Key area of service delivery		
Agriculture and fisheries	244.9	64.9
Communities, disability services and seniors	768.8	449.7
Education	135.4	142.8
Employment, small business and training	511.5	532.9
Environment and science	9.6	8.6
Housing and public works	486.0	509.0
State development, innovation and tourism	2.9	4.5
Justice	107.7	129.7
Natural resources, mines and energy	785.4	551.4
Transport and main roads	3,016.4	3,400.4
Fire and emergency services	10.4	10.9
Health	291.1	311.2
Total key area of service delivery	**6,370.1**	**6,116.0**
Government-owned corporations		
Energy Queensland	18.8	40.0
Far North Queensland Ports Corporation Limited	4.4	6.0
Gladstone Ports Corporation Limited	45.8	42.6
North Queensland Bulk Ports Corporation Limited	1.8	1.7
Port of Townsville Limited	6.4	6.8
Powerlink	0.1	..
Queensland Rail Limited	4.4	8.1
Queensland Bulk Water Supply Authority (Seqwater)	0.2	0.2
Sunwater Limited	50.2	49.8
Total government-owned corporations	**132.1**	**155.2**
Total all entities	**6,502.2**	**6,271.2**

Note:

1. Numbers may not add due to rounding.

A.2 Concessions by key area of service delivery

Table A.2.1 Agriculture and fisheries

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Drought Relief Assistance Scheme[1]	34.4	28.1
Primary Industry Productivity Enhancement Scheme (PIPES)[2]	33.7	20.3
COVID-19 Jobs Support Loan Scheme[3,4]	175.4	13.5
Vessel Tracking Rebate Scheme[5]	0.3	0.9
Back to Work in Agriculture Incentive Scheme[6,4]	..	0.7
Business Counselling[4]	0.6	0.7
Rent Relief Assistance[7,4]	0.2	0.6
Small Business Advisory Service[8,4]	0.3	0.1
Total	**244.9**	**64.9**

Notes:

1. In 2020-21, the government is providing funding of up to $30 million, held centrally, for the Drought Relief Assistance Scheme ($28.1 million relates to subsidies and rebates). The variance is due to improving seasonal conditions compared with the extreme drought in 2019-20.
2. The variance between 2019-20 and 2020-21 is due to an anticipated decrease in PIPES lending from $115 million in 2019-20 to $100 million in 2020-21 and decreasing interest rates. The PIPES net lending cap during 2019-20 was increased from $100 million to $130 million, however only $115 million was utilised.
3. The scheme has been delivered with a majority of loans advanced in 2019-20. The value of the concession represents the total over the full term of the loans and is shown against the year that the loan was drawn down by the applicant.
4. This item is part of the Queensland Government’s response to COVID-19.
5. The variance is due to the anticipated increase in applications. The final year of the scheme is 2021-22.
6. The scheme commenced on 2 October 2020 and is scheduled to close on 29 January 2021, or earlier, if all funding has been allocated.
7. The rent waiver commenced on 1 April 2020 and closes on 31 December 2020.
8. The advisory service commenced in May 2020 and closed in July 2020.

Drought Relief Assistance Scheme

The Drought Relief Assistance Scheme provides freight subsidies and emergency water infrastructure rebates to support producers and communities that have been affected by drought conditions across the state. Freight subsidies of up to 50% and emergency water infrastructure rebates of up to 50% are available to eligible applicants, up to a maximum of between $20,000 and $50,000 per property, per financial year. Fees associated with beekeeper permits have been waived. Free financial counselling is being provided via the Rural Financial Counselling Service for producers and small businesses. This is funded through the Drought Assistance Package.

Primary Industry Productivity Enhancement Scheme (PIPES)

PIPES is administered by the Queensland Rural and Industry Development Authority (QRIDA) and provides concessional rates of interest on loans to eligible primary producers in need of financial assistance. First Start Loans and Sustainability Loans of up to $2 million and $1.3 million, respectively, support applicants to enter primary production and to improve productivity and sustainability. The average concessional interest rate for new lending is 2.1%. The amounts shown in the above table represent the fair values of the interest rate concessions pertaining to loans issued in the PIPES portfolio in each of the financial years shown.

COVID-19 Jobs Support Loan Scheme

COVID-19 Jobs Support Loans are administered by the QRIDA and provide concessional loans to assist Queensland businesses and non-profit organisations financially impacted by COVID-19 to retain employees and maintain their operations.

Concessional loans were provided of up to 50% of an eligible entity's annual wage expense, to a maximum of $250,000. A fixed interest rate of 2.5% per annum applies to loans, except for the first year when the loan is repayment free and no interest is charged. The next two years are interest only, followed by principal and interest repayments over the remaining term of the loan. The amounts shown in the above table represent the fair values of the interest rate concessions pertaining to loans issued in each financial year. The value of the concession is the difference between the fair value at the market rate and the nominal value at the concessional rate.

Vessel Tracking Rebate Scheme

This initiative is designed to assist commercial fishers by providing rebates up to $970 per eligible vessel before 30 June 2022, to offset the cost of purchasing and installing approved vessel tracking units.

Back to Work in Agriculture Incentive Scheme

The Back to Work in Agriculture Incentive Scheme is a pilot scheme to encourage eligible Queenslanders to meet short-term labour shortages in agriculture, which includes payments of up to $1,500 to assist with accommodation and transport costs associated with travelling and staying in remote locations. This pilot scheme focuses on Wide Bay and Darling Downs.

Business Counselling

As part of the COVID-19 Immediate Industry Recovery Package, free financial counselling is being provided to producers and small businesses who are suffering financial hardship.

Rent Relief Assistance

The waiving of rent has been provided to businesses who hold a lease on government premises and have been impacted by the COVID-19 pandemic.

Small Business Advisory Service

The Small Business Advisory Service provided free advice to small businesses who were not successful in obtaining a loan under the COVID-19 Jobs Support Loan Scheme and are subject to closure, or highly impacted by the COVID-19 pandemic restrictions, to adapt and sustain their operations and build resilience. The average value of the concession was $1,350.

Table A.2.2 Communities, disability services and seniors

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Electricity Rebate Scheme[1,2]	189.9	210.2
Electricity Asset Ownership Dividend[3]	2.9	106.9
Pensioner Rate Subsidy Scheme	53.3	56.3
Utility Rebate - COVID-19 - Residential Household Utility Assistance Package and Small/Medium Business Power Bill Relief Package[4,5]	490.2	40.0
South East Queensland Pensioner Water Subsidy Scheme	17.7	19.3
Home Energy Emergency Assistance Scheme	8.7	10.0
Reticulated Natural Gas Rebate Scheme	2.4	2.6
Electricity Life Support Concession Scheme[2]	2.1	2.3
Medical Cooling and Heating Electricity Concession Scheme[2]	1.6	2.1
Total	**768.8**	**449.7**

Notes:

1. The variance is due to the estimated growth in recipients, particularly Health Care Card holders.
2. Electricity price rebates are adjusted annually according to the Queensland Competition Authority's (QCA) price determination for general household electricity tariff (Tariff 11). For 2020-21, the QCA determined Tariff 11 will decrease by 5.9%. However, the government has determined that existing rebate values will not be decreased and will continue to apply in 2020-21.
3. The $2.9 million reported in 2019-20 relates to the 2018-19 allocation. The 2019-20 Electricity Asset Ownership Dividend allocation was incorporated into the 2019-20 COVID-19 Electricity Rebate.
4. 2019-20 Actual consists of $404.2 million under the Residential Household Relief Package and $85.9 million under the Small/Medium Business Rebate Package.
5. This item is part of the Queensland Government's response to COVID-19.

Electricity Rebate Scheme

The Electricity Rebate Scheme provides a rebate of up to approximately $341 per annum, to assist with the cost of domestic electricity supply to the home of eligible holders of a Pensioner Concession Card, a Queensland Seniors Card, or a Department of Veterans' Affairs Gold Card (who receive a War Widow/er Pension or Special Rate Totally or Permanently Incapacitated Pension), as well as eligible Commonwealth Health Care Card holders and asylum seekers.

Electricity Asset Ownership Dividend

The Electricity Asset Ownership Dividend is providing Queensland households with a $50 electricity rebate in 2020-21. This will be the fourth dividend since 2017-18 and will be credited on residential customers' bills between September and November. The 2019-20 Asset Ownership Dividend allocation was incorporated into the 2019-20 COVID-19 Electricity Rebate with $2.9 million reported in 2019-20 relating to the 2018-19 allocation.

Pensioner Rate Subsidy Scheme

The Pensioner Rate Subsidy Scheme offers a 20% subsidy (up to a maximum of $200 per annum) to lessen the impact of local government rates and charges on pensioners, thereby assisting them to continue to live in their own homes.

Utility Rebate - COVID-19 - Residential Household Utility Assistance Package and Small/Medium Business Power Bill Relief Package

Utility Rebates provided as a COVID-19 response initiative during the pandemic have included a $200 rebate for residential electricity and water household relief and a $500 electricity rebate for small to medium enterprises. The household utility rebate was provided directly off electricity bills to offset household electricity and water costs. Funding in 2020-21 of $40 million has been provided to continue payments for late applicants to the scheme.

This significant measure provided support to Queensland households and small businesses in 2019-20 during the period when COVID-19 was most impacting the economy.

South East Queensland Pensioner Water Subsidy Scheme

The South East Queensland (SEQ) Pensioner Water Subsidy Scheme provides a subsidy of up to $120 per annum to eligible pensioner property owners in the SEQ Water Grid to lessen the impact of water prices. This subsidy is in addition to the Pensioner Rate Subsidy Scheme.

Home Energy Emergency Assistance Scheme

The Home Energy Emergency Assistance Scheme provides emergency assistance of up to $720 once in a two-year period to assist low income households experiencing a short-term financial crisis and who are unable to pay their current electricity and/or reticulated natural gas account. It is not a requirement for the claimant to hold a concession card.

Reticulated Natural Gas Rebate Scheme

The Reticulated Natural Gas Rebate Scheme provides a rebate of up to approximately $75 per annum to assist with the cost of reticulated natural gas supplied to the home of eligible holders of a Pensioner Concession Card, Queensland Seniors Card or a Department of Veterans' Affairs Gold Card (who receive the War Widow/er Pension or Special Rate Totally or Permanently Incapacitated Pension).

Electricity Life Support Concession Scheme

The Electricity Life Support Concession Scheme is aimed at assisting seriously ill people who use home-based life support systems by providing a rebate of up to approximately $694 per annum for users of oxygen concentrators and a rebate of up to approximately $465 per annum for users of kidney dialysis machines to meet their electricity costs. The concession is paid quarterly and is subject to the patient being medically assessed in accordance with Queensland Health eligibility criteria.

Medical Cooling and Heating Electricity Concession Scheme

The Medical Cooling and Heating Electricity Concession Scheme provides a rebate of up to approximately $341 per annum for eligible concession card holders with a medical condition who depend on air conditioning to regulate body temperature.

Table A.2.3 Education

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Textbook and Resource Allowance[1]	66.2	67.7
School Transport Assistance for Students with Disability[2]	41.3	46.9
Tuition Fee Exemptions/Waivers - Dependants of International Students[3]	8.4	8.6
Living Away from Home Allowance Scheme	7.8	7.8
Non-State Schools Transport Assistance Scheme[4]	6.2	6.2
Dalby State High School - Bunya Campus Residential Facility	2.6	2.6
Spinifex State College - Mount Isa Student Residential Facility	1.2	1.2
Distance Education - Information and Communication Technology Subsidy Scheme	1.0	1.0
Distance Education - Non-Government Student Fee Subsidy	0.7	0.7
Plant Registration - Amusement Devices[5]	..	0.1
Total	**135.4**	**142.8**

Notes:

1. The increase between 2019-20 Actual and 2020-21 Estimate is due to enrolment growth.
2. The increase between 2019-20 Actual and 2020-21 Estimate is due to lower than anticipated take-up of taxi travel during Semester 1, 2019.
3. The increase between 2019-20 Actual and 2020-21 Estimate is due to CPI indexation.
4. The increase between 2019-20 Actual and 2020-21 Estimate is due to CPI indexation. The title of the concession has been updated to reflect the program name.
5. This item is part of the Queensland Government’s response to COVID-19.

Textbook and Resource Allowance

The Textbook and Resource Allowance is available for all parents/caregivers of secondary school age students attending state and non-government schools, and children registered in home education of equivalent age, to assist with the cost of textbooks and learning resources. In schools, parents may sign over this allowance to the school to reduce the fees associated with participating in the school's textbook and resource scheme. For children registered for home education, the allowance is paid directly to the parent.

In 2020, the rates per annum are $130 for students in Years 7 to 10 and $281 for students in Years 11 and 12.

School Transport Assistance for Students with Disability

The School Transport Assistance Program for Students with Disability assists eligible state school students whose disability impacts on their parents or carers ability to arrange their safe travel to and from school. This assistance includes co-ordinated service delivery in specially contracted taxis or minibuses, payment of fares on bus, ferry, tram and train, or an allowance for parents who make private travel arrangements for their children to school or a transport meeting point. The benefit level is to a maximum of $400 per week, per student, however in exceptional circumstances higher amounts may be approved. A separate scheme is in place for students with disability attending non-state schools (refer to the 'Non-State Schools Transport Assistance Scheme').

The Council of Australian Governments, Disability Reform Council has agreed that states and territories will continue to deliver these services for National Disability Insurance Scheme (NDIS) participants on an 'in kind' basis until the end of the 2023 school year. The Department of Education is working with the Department of Transport and Main Roads, the Australian Government, the National Disability Insurance Agency and other jurisdictions to develop a viable national model for the delivery of school transport for students with disability under the NDIS.

Tuition Fee Exemptions/Waivers - Dependants of International Students

International students who meet the approved exemption criteria and wish to enrol their child in Preparatory (Prep) Year to Year 12 of schooling are exempt from paying dependant tuition fees. The exemption only applies for the duration of the main temporary visa holder's (parent) course of study in Queensland. A dependant student (Prep to Year 12) of a temporary visa holder may also be eligible for a tuition fee waiver in certain circumstances, including financial hardship.

The estimated average amount exempted or waived per student is $8,255 for the 2020-21 financial year.

Living Away from Home Allowance Scheme

The Living Away from Home Allowance Scheme provides financial assistance to support geographically isolated families. The scheme assists with the costs of children required to live away from home to attend school. This concession is available to Queensland students attending both state and non-state schools.

The benefits available for eligible students in 2020 are:

- Remote Area Tuition Allowance - assistance is available for primary students of up to $3,873 per annum and for secondary students of up to $5,576 per annum.
- Remote Area Travel Allowance - available where the distance from the family home to the boarding location is at least 50km. Benefit levels depend on the distance travelled and range from $146 to a maximum of $1,786 per annum.
- Remote Area Allowance - assistance of $2,435 per annum is available to students attending a campus of a Queensland state high school and undertaking an approved agriculture course in lieu of Years 11 and 12.
- Remote Area Disability Supplement - available to students with disability who incur additional costs associated with living away from home to attend school. Benefits are up to $7,921 per student, per annum.

Non-State Schools Transport Assistance Scheme

The Non-State Schools Transport Assistance Scheme directly assists families through the provision of funding towards the transport costs incurred for eligible students enrolled in non-state schools. Under the Scheme, payments are made twice a year to the families of students enrolled in non-state schools located beyond the Brisbane City Council area where bus fare expenses are above a set weekly threshold amount. In 2020, the weekly threshold is $25 per family, or $20 for families with a current Health Care Card, Pensioner Concession Card or Veterans' Affairs Card.

The program also assists families of eligible students with disability enrolled in non-state schools. The level of assistance provided is dependent on the type of transport needed and travel assistance already provided by the Department of Transport and Main Roads (DTMR). For families using taxi travel, the benefit level is to a maximum of $300 per week, inclusive of any assistance provided through DTMR's Taxi Subsidy Scheme.

The Council of Australian Governments, Disability Reform Council has agreed that states and territories will continue to deliver these services for National Disability Insurance Scheme (NDIS) participants on an 'in kind' basis until the end of the 2023 school year. The Department of Education is working with the DTMR, the Australian Government, the National Disability Insurance Agency and other jurisdictions to develop a viable national model for the delivery of school transport for students with disability under the NDIS.

Dalby State High School - Bunya Campus Residential Facility

The Dalby State High School - Bunya Campus Residential Facility provides affordable residential accommodation for secondary school students in a boarding facility. The concession particularly targets secondary school students from rural and remote communities, however, any secondary age student is eligible. Students accommodated at the residential facility are enrolled at Dalby State High School and participate in agricultural education programs.

Spinifex State College - Mount Isa Student Residential Facility

The Spinifex State College - Mount Isa Student Residential Facility provides an affordable residential facility in Mount Isa for students from the North Western area of the state whose home community does not provide secondary schooling. The funding meets the cost of wages for the residential college, increasing the affordability of the accommodation rates charged to students.

Distance Education - Information and Communication Technology Subsidy Scheme

The Distance Education - Information and Communication Technology Subsidy Scheme provides assistance to students enrolled in a school of distance education that are geographically isolated or in the medical category.

The scheme provides $250 per annum to assist with purchasing, replacing or upgrading computer hardware for students in the distance/geographically isolated and medical categories, and $500 per annum to assist students in the distance/geographically isolated category to meet the costs of broadband internet access and download charges for the home classroom. Eligible students also receive access to free software licences.

Distance Education - Non-Government Student Fee Subsidy
The Distance Education - Non-Government Student Fee Subsidy is available to students who are enrolled in non-government schools and also choose to access distance education subjects. It provides an average annual subsidy of approximately $1,390 per distance education subject enrolment.

This subsidises approximately 50% of the total average cost per annum of providing a subject through distance education for non-government school students. The concession contributes towards the state continuing to make distance education available to non-government schools, ensuring the widest possible subject choice for students, while recovering a proportion of the teaching and overhead costs.

Plant Registration - Amusement Devices
The refund of plant item registration fees for amusement devices is available to owners of amusement devices who paid registration fees for the 2020 year. The refund is provided to support businesses with amusement devices who were impacted by the COVID-19 pandemic and were unable to operate their devices at the shows and fairs that are the main source of income for the mobile amusement device industry throughout this year.

The registration fee is dependent on the class of amusement device, however fees range from $185.30 to $396.50. This concession is new in 2020-21.

Table A.2.4 Employment, small business and training

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Vocational Education and Training (VET) - Certificate 3 Guarantee Tuition Fee Subsidy[1]	231.2	241.7
User Choice - Apprentice and Trainee Training Subsidy[1]	202.2	213.9
VET - Higher Level Skills Tuition Fee Subsidy	75.8	75.0
Travel and Accommodation Subsidy	2.3	2.3
Total	**511.5**	**532.9**

Notes:
1. The variance is due to the demand driven nature of the programs.

Vocational Education and Training (VET) - Certificate 3 Guarantee Tuition Fee Subsidy
The Vocational Education and Training (VET) Certificate 3 Guarantee Tuition Fee Subsidy provides a government subsidy to allow eligible Queenslanders to obtain their first post-school Certificate III qualification to help them gain a job or to improve their employment status, including pathways for disadvantaged learners and Queensland school students (VET in Schools).

The subsidy is available to pre-approved private and public registered training organisations to subsidise tuition fees paid by students undertaking eligible vocational education and training qualifications (primarily Certificate III qualifications).

The value of this subsidy for each qualification ranges from $472 to $6,650, depending on student eligibility and qualification subsidised. The average subsidy value is $3,060.

User Choice - Apprentice and Trainee Training Subsidy

The User Choice - Apprentice and Trainee Training Subsidy program provides government funding towards the costs of training and assessment for eligible Queensland apprentices and trainees, or complementary pathways leading to apprenticeship outcomes. The subsidy is available to pre-approved public and private registered training organisations to subsidise tuition fees to reduce the cost of nationally recognised entry level training for apprentices and trainees. The program provides greater flexibility for apprentices, trainees and their employers to select a preferred registered training organisation and to negotiate the type of training to meet their specific needs.

The value of this subsidy for each qualification ranges from $1,180 to $50,720, depending on student eligibility and qualification subsidised. The average subsidy value is $9,845.

VET - Higher Level Skills Tuition Fee Subsidy

The VET Higher Level Skills Tuition Fee Subsidy provides a government subsidy to eligible students and employers to undertake a priority Certificate IV, diploma or advanced diploma qualification or industry endorsed skill set. This program assists individuals to gain employment in a critical occupation, career advancement in a priority industry or transition to university to continue their studies. The subsidy is available to pre-approved private and public registered training organisations to subsidise tuition fees paid by students undertaking eligible vocational education and training qualifications at Certificate IV or above.

The value of this subsidy for each qualification ranges from $1,175 to $10,370, depending on student eligibility and qualification subsidised. The average subsidy value is $4,384.

Travel and Accommodation Subsidy

The Travel and Accommodation Subsidy provides financial assistance to Queensland apprentices and trainees for travel expenses incurred in attending off the job training at a registered training organisation. To be eligible, apprentices must attend the closest registered training organisation that offers the required qualification and travel a minimum of 100km return from their usual place of residence to the registered training organisation. The subsidy provides for:

- return land travel to the registered training organisation of 21 cents per km for distances between 100km - 649km, increasing to 26 cents per km for distances of 650km or more
- cost of ferry travel if necessary
- a return economy air ticket to the location of the registered training organisation if necessary
- accommodation assistance of $30 per day for overnight stay within Queensland and $72 for interstate travellers, if it is necessary to live away from their usual place of residence to attend training.

Table A.2.5 Environment and science

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Queensland Parks and Wildlife Service - Tour Fee and Access Permit Concessions	1.6	1.6
Queensland Museum - Arts Concessional Entry Fees[1]	2.4	1.4
COVID-19 Relief - Queensland Parks and Wildlife Service - Fee Relief to Commercial Tour Operators[2]	0.4	1.4
Arts Queensland - Discount on Property Lease Rentals[3]	0.7	0.9
Queensland Art Gallery - Arts Concessional Entry Fees[4]	0.4	0.7
COVID-19 Relief - Queensland Parks and Wildlife Service - National Park and State Forest Rent Relief[2]	0.2	0.6
Queensland Performing Arts Trust - Arts Concessional Entry Fees[5]	2.4	0.5
COVID-19 Relief - Arts Queensland - Property Lease Rental Relief[2]	0.2	0.4
Arts Queensland - Venue Hire Rebates[6]	0.2	0.3
Queensland Performing Arts Trust - Venue Hire Rebates	0.3	0.3
State Library of Queensland - Venue Hire Rebates[7]	0.5	0.3
COVID-19 Relief - Queensland Museum - Additional Concessions[2]	0.1	0.1
COVID-19 Relief - Queensland Parks and Wildlife Service - Waiver of Commercial Whale Watching Operator Fees[2]	..	0.1
COVID-19 Relief - Queensland Performing Arts Trust - Additional Concessions[2]	0.2	..
Total	**9.6**	**8.6**

Notes:

1. Variance between 2019-20 Actual and 2020-21 Estimate is mainly due to expected changes in visitation numbers in 2020-21 due to venue maintenance and impacts of COVID-19.
2. This item is part of the Queensland Government's response to COVID-19.
3. Variance between 2019-20 Actual and 2020-21 Estimate is due to an increase in net lettable space in 2020-21, which will be available to support the arts sector recovery, including subsidised office and car park bays at the Judith Wright Arts Centre and Bulmba-ja Arts Centre, following completion of refurbishment works.
4. Variance between 2019-20 Actual and 2020-21 Estimate is due to early closure or cancellation of exhibitions in 2019-20 as a result of COVID-19.
5. Variance between 2019-20 Actual and 2020-21 Estimate is primarily due to closure of venues and reduced patronage as a result of COVID-19.
6. Variance between 2019-20 Actual and 2020-21 Estimate is due to an anticipated uplift in activities at the Judith Wright Arts Centre and Bulmba-ja Arts Centre, following the completion of refurbishment in 2019-20.
7. Variance between 2019-20 Actual and 2020-21 Estimate is due to an expected decrease in usage of venue hire spaces in 2020-21.

Queensland Parks and Wildlife Service - Tour fee and Access Permit Concessions

Admission and ranger guided tour fee concessions are available at several attractions for children, pensioners and educational purposes. Vehicle access permit concessions are available in the Cooloola Recreation Area, Bribie, Moreton (Mulgumpin) and Fraser (K'gari) Islands. Camping concessions are available in all national park and forest camping areas for educational purposes and children under five years of age.

Queensland Museum - Arts Concessional Entry Fees

Queensland Museum provides concessional entry fees to seniors, students, children, families and a variety of concession card holders for ticketed exhibitions at Queensland Museum and Sciencentre and for general entry to Cobb and Co Museum Toowoomba, The Workshops Rail Museum Ipswich and Museum of Tropical Queensland Townsville. Concessions are also provided to targeted groups, such as schools, to encourage visits to museums. The level of concession provided varies depending on the venue and the event.

COVID-19 Relief - Queensland Parks and Wildlife Service - Fee Relief to Commercial Tour Operators

The Queensland Government is assisting Queensland tourism through waiving of daily activity and passenger fees for commercial tour operators using protected areas, recreational areas and state forests to March 2021.

Arts Queensland - Discount on Property Lease Rentals

Property lease rentals are provided to arts and cultural organisations at a discount from market rental rates at the Judith Wright Arts Centre (formerly the Judith Wright Centre of Contemporary Arts), Festival House and Bulmba-ja Arts Centre (formerly the Cairns Centre of Contemporary Arts). Discounts range from 20% to 100% of the market rate (dependent on location) of the commercial office space. Further discounts on specialist rehearsal and gallery space are given as negotiated at the time of entering the lease and dependent on the individual arts or cultural organisation and its funding.

Queensland Art Gallery - Arts Concessional Entry Fees

Queensland Art Gallery's ticket prices are set to ensure that they are affordable and to maximise attendance, with additional concessions provided to seniors, students, children, families and a variety of concession card holders. The purpose of the Queensland Art Gallery Arts concessional entry fees concession is to contribute to the cultural, social and intellectual development of Queenslanders, and encourage diverse audiences.

COVID-19 Relief - Queensland Parks and Wildlife Service - National Park and State Forest Rent Relief

The Queensland Government is supporting Queensland’s economic recovery by providing rent relief to commercial tenants holding leases in national parks and state forests to December 2020.

Queensland Performing Arts Trust - Arts Concessional Entry Fees

Concessional entry fees are offered for specific Queensland Performing Arts Trust productions and to provide support for other not-for-profit theatre companies to enable tickets to be sold at concessional prices. The level of concession provided varies depending on the number and size of events being held each year.

COVID-19 Relief - Arts Queensland - Property Lease Rental Relief

Property lease rental relief is provided to arts and cultural organisations in response to the impacts of COVID-19.

Arts Queensland - Venue Hire Rebates

Venue hire rebates support Queensland Government funded arts organisations and professional artists to develop and present new work at the Judith Wright Arts Centre and the Bulmba-ja Arts Centre.

Queensland Performing Arts Trust - Venue Hire Rebates

Venue hire rebates are offered to government funded cultural organisations, charitable organisations, government departments and educational institutions. Organisations currently receiving discounts are Queensland Symphony Orchestra, Opera Queensland, Queensland Theatre Company and Queensland Ballet.

State Library of Queensland - Venue Hire Rebates

State Library of Queensland provides venue hire concessions to targeted community and non-profit groups, including cultural and charitable organisations and educational institutions, in order to support events and programs directly linked to State Library of Queensland's services, programs and activities.

COVID-19 Relief - Queensland Museum - Additional Concessions

The Queensland Government is supporting the arts sector through rental relief provided to arts tenants in 2019-20 and 2020-21.

COVID-19 Relief - Queensland Parks and Wildlife Service - Waiver of Commercial Whale Watching Operator Fees

The Queensland Government is supporting tourism operators impacted by COVID-19 through waiving of annual commercial whale watching fees for the 2020 season.

COVID-19 Relief - Queensland Performing Arts Trust - Additional Concessions

Additional concession charges were waived to provide support for other not-for-profit theatre companies due to the COVID-19 shutdown measures. The level of assistance provided varies depending on the number and size of events.

Table A.2.6 Housing and public works

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Government Managed Housing Rental Rebate	429.6	450.8
National Rental Affordability Scheme	27.8	28.3
Home Assist Secure	21.3	22.5
Non-residential Buildings - Subsidised Rents	6.3	6.1
Commercial Rent Relief[1]	0.3	0.6
Rental Bond Loans	0.4	0.4
Queensland Recreation Centres - Concessional Usage Rates	0.3	0.3
Non-government Managed Housing[2]	..	..
Total	**486.0**	**509.0**

Notes:

1. This item is part of the Queensland Government's response to COVID-19.
2. The value of this concession arrangement cannot be easily quantified.

Government Managed Housing Rental Rebate

The government managed housing rental rebate targets low income families and individuals and represents the difference between the estimated rents that would be payable in the private market and rent that is charged by government based on household income.

Assistance is provided to approximately 54,100 households and the estimated average yearly subsidy per household for 2020-21 is $8,339.

National Rental Affordability Scheme

The National Rental Affordability Scheme (NRAS) is an Australian Government initiative, delivered in partnership with the Queensland Government, to increase the supply of new affordable rental housing. The scheme provides financial incentives to investors to build well located dwellings and rent them to eligible low to moderate income households, at a discounted rate at least 20% below market rent.

Under the scheme, the concession to the tenant is provided by the property owner. Due to the nature of the arrangement, the overall value of the concession to the tenant cannot be quantified. In 2020-21, the government has allocated $28.3 million for the payment of financial incentives to NRAS investors who are then required to discount rents to tenants.

Home Assist Secure

Home Assist Secure provides free safety related information and referrals, and subsidised assistance to eligible clients unable to undertake or pay for critical maintenance services without assistance. To be considered for assistance, home owners or tenants over the age of 60, or of any age with a disability, must hold a Pensioner Concession Card and be unable to complete the work themselves. In addition, they must be unable to access assistance from other services. Labour costs (up to $500 per household, per year) for the assistance provided are subsidised by Home Assist Secure while the balance of the costs (including the materials) are met by the client.

Home Assist Secure targets home owners and those in rental housing who are over 60 years of age, or have a disability, and who require assistance to remain living in their home. In 2020-21, it is estimated that over 40,000 households will be assisted.

Non-residential Buildings - Subsidised Rents

Accommodation is provided to 40 community, education, arts and not-for-profit organisations in government owned non-residential buildings. Tenures for the occupancies are by way of leases, licences or month-to-month arrangements. Rents paid by the organisations are often below independently assessed market rent levels. Subsidised rental arrangements are provided to 25 properties comprising a total floor area of approximately 30,632 square metres. The total subsidy is calculated by deducting the actual amount paid by the occupants from the total estimated annual market rent for the office space.

Commercial Rent Relief

As part of the government response to COVID-19, rent relief has been provided for private commercial tenants of government buildings.

Rental Bond Loans

The government provides interest-free rental bond loans to people who cannot afford to pay a full bond to move into private rental accommodation, thereby reducing the need for more costly, subsidised housing assistance, through two products:

- Bond Loans: equivalent to a maximum amount of four weeks rent, or
- Bond Loan Plus: equivalent to a maximum amount of six weeks rent.

The interest free bond loan targets low-income households and can stabilise tenancies, prevent households from entering the cycle of homelessness and engaging with fringe, high interest credit providers. The concession represents the interest saving for the client on the bond loan. In 2020-21, $29.2 million in bond loans and bond loan plus may be advanced to an estimated 22,000 clients.

Queensland Recreation Centres - Concessional Usage Rates

Concessional usage rates are offered to clients who meet the strategic objectives of the Activate! Queensland Strategy, including not-for-profit sport and recreation organisations, Queensland schools and Queensland state sporting organisations, for the use of Queensland recreation centres, at Currimundi and Tallebudgera. These concessional rates provide a discount between 6.3% to 18.2% of the full charge to approximately 27,500 recipients.

Non-government Managed Housing

The government provides contributions to social housing providers, including capital grants, granted land or properties, or recurrent funding, to assist in improving housing affordability and access to social housing. Due to the nature of the arrangement, the overall value of the concession provided by the government cannot be easily quantified.

Rents charged for social housing managed by the providers are based on between 25% and 30% of a household's assessable income or the market rent, whichever is lower, which substantially reduces accommodation costs for eligible individuals and families. Many of these families may also be eligible for Commonwealth Rent Assistance to assist with the cost of their accommodation.

Table A.2.7 State development, innovation and tourism

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
COVID-19 Rent Relief – Economic Development Queensland (EDQ)[1]	2.5	3.3
COVID-19 Advance Queensland Valley Precinct Rent Relief[1]	0.4	1.2
Total	**2.9**	**4.5**

Notes:

1. This item is part of the Queensland Government's response to COVID-19.

COVID-19 Rent Relief – Economic Development Queensland (EDQ)

As part of the Queensland Government's COVID-19 support, rent relief is being provided for businesses with leases with Economic Development Queensland to 31 December 2020.

COVID-19 Advance Queensland Valley Precinct Rent Relief

As part of the Queensland Government's COVID-19 support, rent relief is being provided for businesses which rent space at the Advance Queensland Valley Precinct to 31 December 2020.

Table A.2.8 Justice

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Public Trustee of Queensland - Concessions	38.4	40.3
Court Services - Civil Court	30.9	30.8
Queensland Civil and Administrative Tribunal	23.2	22.0
Office of Liquor and Gaming Regulation - License Fees[1]	..	21.7
Blue Card - Volunteer Applicants	11.4	11.6
Body Corporate and Community Management - Dispute Resolution	2.7	2.6
Office of Liquor and Gaming Regulation - Rent Relief Scheme[1]	0.3	0.3
Registry of Births, Deaths and Marriages - Fee Waivers[1]	0.1	0.1
Court Services - Rent Relief Scheme[1]	..	0.1
Public Trustee of Queensland - Rent Relief Scheme[1]	..	0.1
Prostitution Licencing Authority - Fee Waivers[1]	0.3	0.1
Office of Liquor and Gaming Regulation - Rural Hotel Concessions	0.4	..
Total	**107.7**	**129.7**

Notes:

1. This item is part of the Queensland Government's response to COVID-19.

Public Trustee of Queensland - Concessions

The Public Trustee of Queensland (the Public Trustee) is a self-funded organisation and uses a scale of fees which is designed to reflect a fair cost for the services provided.

The Public Trustee has established a safety net limit on the annual fees payable by certain clients which provides for a rebate of fees for some clients with limited assets. The rebate is applied to clients such as financial administration clients with impaired capacity, or estate administration clients of limited means. The Public Trustee also provides will-making services at no cost for all Queenslanders.

In addition, the Public Trustee provides funding to the Public Guardian and financial assistance under the Civil Law Legal Aid Scheme administered by Legal Aid Queensland, to enable these organisations to provide services to the people of Queensland.

Court Services - Civil Court

The Supreme, District and Magistrates Courts hear civil disputes between two or more parties (people or organisations) where one party sues the other, usually to obtain compensation, or seek some other remedy. These disputes may involve anything from defamation to outstanding debts. Civil court fees are prescribed under the *Uniform Civil Procedure (Fees) Regulation 2009* for proceedings commenced in civil matters and are set below full cost recovery to ensure that civil remedies are accessible to all Queenslanders.

Queensland Civil and Administrative Tribunal

The Queensland Civil and Administrative Tribunal (QCAT) is an independent tribunal which makes decisions and resolves disputes across a wide range of jurisdictions for the community. Fees for these services are set below cost recovery to ensure services are accessible, fair and inexpensive. QCAT provides human rights services with no application fees for matters in guardianship and administration of adults, children and young people and anti-discrimination.

Office of Liquor and Gaming Regulation - License Fees

The *Liquor Regulation 2002* and the *Wine Regulation 2009* were amended to waive liquor and wine licence fees for the 2020-21 licence period. The licence fee waiver supports existing operators who had to close their doors due to the public health restrictions in place during the 2019-20 licence period. Licensees who held their licence immediately before 1 July 2020 received the fee waiver. This estimate includes the portion that relates to the Rural Hotel Concessions.

Blue Card - Volunteer Applicants

Individuals providing child-related services or conducting child-related activities in regulated service environments are required to undergo an assessment of their police and relevant disciplinary information, and if approved, are issued with a blue card. A blue card is valid for three years unless cancelled or suspended earlier. Since the inception of the blue card system in 2001, government has met the cost of blue card assessment for volunteer applicants.

Body Corporate and Community Management - Dispute Resolution

The Office of the Commissioner for Body Corporate and Community Management provides a dispute resolution service to parties unable to resolve disputes themselves. The service consists of conciliation, with the aim of achieving a voluntary agreement, and adjudication, which results in a formal order. The service is delivered below full cost recovery so as to not restrict access to justice due to affordability reasons. The commissioner has the discretion to waive application fees on the grounds of financial hardship.

Office of Liquor and Gaming Regulation - Rent Relief Scheme

Rental relief provided due to COVID-19 represents revenue foregone. The rent relief measure has been extended to 31 December 2020 for businesses renting State Government premises and incurring a demonstrable COVID-19 impact.

Registry of Births, Deaths and Marriages - Fee Waivers

The Registry of Births, Deaths and Marriages waives the fees for certificates provided to disadvantaged groups in the Queensland community (e.g. Indigenous, homeless, domestic and family violence victims, etc) and those impacted by major emergencies (e.g. natural disasters such as cyclones and bushfires).

Court Services - Rent Relief Scheme

Rental relief provided due to COVID-19 represents revenue foregone. The rent relief measure has been extended to 31 December 2020 for businesses renting State Government premises and incurring a demonstrable COVID-19 impact.

Public Trustee of Queensland - Rent Relief Scheme

Rent relief provided due to COVID-19 represents revenue forgone. The rent relief measure has been extended to 31 December 2020 for businesses renting State Government premises and incurring demonstrable COVID-19 impact.

Prostitution Licencing Authority - Fee Waivers

On 23 March 2020, the Prostitution Licencing Authority agreed to waive brothel licence fees and approved managers' certificate fees up to 22 September 2020 to provide support to the licenced sector.

Office of Liquor and Gaming Regulation - Rural Hotel Concessions

The Office of Liquor and Gaming Regulation licenses hotels and clubs under the *Liquor Act 1992*. Under the *Liquor* (*Rural Hotels Concession*) *Amendment Act 2019*, the Rural Hotels Concession provides licence fee relief to establishments in remote communities by reducing the base licence fees for hotels and community clubs with no more than 2,000 members for eligible licences from July 2019.

The concession for 2020-21 has been included in the Office of Liquor and Gaming Regulation - Liquor License Annual Fee Waiver concession as part of the overall licensing fee waiver in response to COVID-19.

Table A.2.9 Natural resources, mines and energy

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Energy Queensland - Uniform Tariff Policy (excluding Isolated Systems)[1]	436.3	388.0
Energy Queensland - Uniform Tariff Policy for Isolated Systems[2]	51.9	66.0
Rent Relief Scheme - Land Rent Waivers[3]	15.8	31.2
Extending Existing Drought Relief Arrangements - Electricity Charge Scheme[4]	9.9	15.0
Sunwater Rural Irrigation Water Price Subsidy[5]	1.7	12.5
Affordable Energy Plan - Energy Savers Program[6]	0.2	10.5
Backing Explorers (Resources Sector) Waiver[3]	3.2	9.8
Cloncurry Pipeline Water Supply Subsidy	6.0	6.2
Extending Existing Drought Relief Arrangements - Water Licence Fee Waiver and Land Rental Rebates	2.3	4.2
Origin Energy - Uniform Tariff Policy	2.8	2.9
Tourism Leases, Licences and Permits[3]	..	2.7
Seqwater Bulk Water Rural Irrigation Water Price Subsidy	2.0	2.2
Daintree Area Scheme[3]	..	0.2
Powering Queensland Plan - Electricity Affordability Package[7]	239.0	..
Affordable Energy Plan - Solar and Storage Interest Free Loans Scheme[7]	11.0	..
Solar for Rental Property Rebate[7]	2.1	..
Affordable Energy Plan - Energy Savvy Families	1.2	..
Total	**785.4**	**551.4**

Notes:

1. Energy Queensland Limited (EQL) is forecasting a decrease in the community service obligation (CSO) for 2020-21 compared to 2019-20 predominately due to a reduction in regulated network and retail tariffs compared to 2019-20.
2. EQL is forecasting an increase in the CSO for isolated systems due to increased costs in operating and maintaining isolated electricity systems.
3. This item is part of the Queensland Government's response to COVID-19.
4. Expenditure is dependent on the number of registered eligible parties in drought declared areas seeking a rebate for fixed charges of their electricity accounts. This includes fixed charges under Tariff 66, services fees and minimum payments.
5. Variance is largely due to Sunwater's irrigation costs allowed by the Queensland Competition Authority (QCA) for 2020-21 having increased since the last QCA review completed in 2012. Also, it is slightly higher due to some pricing concessions for COVID-19.
6. These programs were extended by 12 months to 30 June 2021 to align with the Ministerial announcement of deferring the phase out date for obsolete tariffs. As a result, a small number of grants were paid in 2019-20 as audits and implementation were still underway. Accordingly, the expenditure in 2020-21 has been estimated to be larger than 2019-20 as participants have committed to implementation, increasing the number of grants estimated to be paid.
7. Scheme ended on 30 June 2020. Accordingly, there is no estimated expenditure in 2020-21.

Energy Queensland - Uniform Tariff Policy (excluding Isolated Systems)
The Energy Queensland - Uniform Tariff Policy (excluding Isolated Systems) ensures that where possible, all Queensland non-market electricity customers of a similar type pay a similar price for electricity, regardless of where they live. As the notified prices do not reflect the full cost of electricity supply for most remote and regional Queenslanders, a subsidy is provided. The community service obligation (CSO) payment to the regional retailer Energy Queensland covers the difference between the revenue earned by charging customers notified prices and the actual costs in the regional areas (due to differences in network costs and energy losses).

Energy Queensland - Uniform Tariff Policy for Isolated Systems
The Energy Queensland - Uniform Tariff Policy for Isolated Systems ensures that where possible, all Queensland non-market electricity customers of a similar type pay a similar price for electricity regardless of where they live. Energy Queensland owns and operates 33 isolated power stations which supply electricity to remote and isolated Queensland communities. Energy Queensland retails electricity to these customers at the notified prices and the government provides funding to the retailer to cover the difference between the revenue earned and the cost of supplying electricity to these customers.

Rent Relief Scheme - Land Rent Waivers
As part of the Queensland Government's commitment to support small business during the COVID-19 pandemic, $33.9 million for land rent relief would be applied to *Land Act 1994* lessees, licensees or permit to occupy holders, who conduct a business on state land, for the period 1 April to 30 September 2020.

A further rent waiver of $14.1 million for Land Act tenure holders adversely affected by the economic conditions caused by COVID-19 was approved for the period 1 October to 31 December 2020.

Extending Existing Drought Relief Arrangements - Electricity Charge Scheme
Drought relief arrangements provide relief to farming customers from fixed charges for electricity accounts that are used to pump water for farm or irrigation purposes during periods of drought. The concessions can vary depending on the shires that are drought declared and the number of eligible customers.

Sunwater Rural Irrigation Water Price Subsidy
As the owner of Sunwater Limited (Sunwater), the government decides how much of Sunwater's costs are to be recovered through irrigation prices. Currently, Sunwater's irrigation water prices for some schemes are set below the level necessary to recover the cost of supplying water to the irrigators. Government funding is provided to Sunwater to offset the reduced revenue.

Affordable Energy Plan - Energy Savers Program
The Business Energy Savers Program, an initiative under the Affordable Energy Plan, provides free energy audits for agricultural customers and large business customers, and co-contributions to fund energy efficiency upgrades. It includes a three-year extension of the existing Energy Savers Plus Program (for agricultural businesses) and the Large Customer Adjustment Program (for large electricity users).

Under the expanded Energy Savers Plus Program, 180 audits for agricultural customers have been completed. In addition to this, co-contribution grants of up to $20,000 have been made available to assist businesses in implementing the recommendations from the audit. The free energy audits have identified $3 million in annual energy saving opportunities for a range of farming businesses.

Under the expanded Large Customer Adjustment Program (and the preceding trial), 21 audits of large customers have been completed and co-contributions of up to 50% of implementation costs, capped at $250,000, are being made available to eligible customers to help encourage them to implement the audit recommendations. The free energy audits have identified over $1.3 million in annual energy saving opportunities for a range of farming businesses.

Backing Explorers (Resources Sector) Waiver

As part of the Queensland Government's commitment to maintaining a strong resources sector during the COVID-19 pandemic, a six-month rent waiver of $6.3 million for exploration permits and authority to prospect (petroleum and gas) was approved for holders whose rent was due within the period of 1 April to 30 September 2020. A further six-month waiver of $6.6 million was approved for the period 1 October 2020 to 31 March 2021.

Under this arrangement the payment of annual rent and mining and petroleum exploration tenures as well as the payment of the fee that is charged to holders of an authority to prospect that apply for a special amendment to their work program will be waived during the period 1 April 2020 to 31 March 2021.

Cloncurry Pipeline Water Supply Subsidy

North West Queensland Water Pipeline Limited (NWQWP), a Sunwater subsidiary, owns and operates the Cloncurry Pipeline between the Ernest Henry Mine and Cloncurry. The pipeline guarantees Cloncurry Shire Council's long-term water supply and supports industrial development in the region. The government provides funding to NWQWP to ensure the pipeline remains commercially viable to operate while providing an affordable and safe water supply to Cloncurry.

Extending Existing Drought Relief Arrangements - Water Licence Fee Waiver and Land Rental Rebates

As part of the government's drought assistance package, the annual water licence fee of $83.85 will be waived for 2019-20 for landholders in Local Government Areas (LGA) that are drought declared and other properties that are individually drought declared. The estimate is dependent on drought declarations and the demand for drought assistance.

Category 11 grazing and primary production landholders under the *Land Act 1994* will also be eligible to a rent rebate in 2019-20. The rebate is available to lessees, other than those on minimum rent that are in a drought declared LGA and to individually drought declared properties. In addition to this rebate, drought declared landholders will be granted a hardship deferral for required rent payments.

Origin Energy - Uniform Tariff Policy

The Origin Energy - Uniform Tariff Policy ensures that, where possible, all Queensland non-market electricity customers of a similar type pay the similar price for electricity regardless of where they live. Origin Energy retails electricity to approximately 5,450 Queensland non-market customers in the Goondiwindi, Texas and Inglewood areas who are supplied electricity through the New South Wales (NSW) Essential Energy distribution network.

The government provides a rebate to these customers, via a CSO payment to Origin Energy, to ensure they pay a similar price for electricity in Queensland. Therefore, the CSO amount depends on the relative difference between Queensland and NSW retail electricity tariffs for non-market customers.

Tourism Leases, Licences and Permits

Certain Land Act leases, licences and permits for tourism purposes had their rent waived for the period 1 April 2020 to 30 September 2020 in response to the impact of COVID-19 on the tourism industry.

In August 2020, the government approved an extension to the waiver to 21 March 2021. This will result in further forgone revenue of $2.7 million, which will arise from the extended rent waiver until 31 March 2021 for operating tourism leases, licences and permits in rental category 13.1.

Seqwater Bulk Water Rural Irrigation Water Price Subsidy

As the owner of Seqwater, the government decides how much of Seqwater's costs are to be recovered through irrigation prices. Currently, Seqwater's irrigation water prices for some schemes are set below the level necessary to recover the cost of supplying water to the irrigators. Government funding is provided to Seqwater to offset the reduced revenue.

Daintree Area Scheme

In response to the COVID-19 pandemic, the Daintree Area Scheme aims to support the Daintree community by providing financial assistance to households, small businesses and non-profit organisations operating from off-grid premises in the area. Payments available under the scheme include $200 for households and $500 for small businesses and non-profit organisations.

Powering Queensland Plan - Electricity Affordability Package

The Powering Queensland Plan provided one-off funding over three years starting in 2016-17 and totalling $771 million to support the stabilisation of electricity prices for Queensland consumers. It achieved this by funding the removal of costs of the Solar Bonus Scheme from electricity prices for three years from 1 July 2017 to 30 June 2020, and directing Energy Queensland to remove costs from network charges. The benefit to Queenslanders in 2019-20 due to this measure was $239 million.

Affordable Energy Plan – Solar and Storage Interest Free Loans Scheme

The Solar and Storage Interest Free Loans Scheme, which closed on 30 June 2020, was designed to assist households and small businesses address electricity affordability by providing upfront capital to those who otherwise would not have access to funds to invest in rooftop solar and battery energy storage technology. The scheme started in 2018-19 and closed in 2019-20. More than 15MW of new solar generation and 24MWh of battery storage has been installed by customers of the scheme.

Solar for Rental Property Rebate

The Solar for Rental Property Rebate Scheme, which closed on 30 June 2020, aimed to help landlords and tenants share the value of installing solar systems. Rebates of up to $3,500 were available for eligible landlords to install solar and monitoring at their rental properties in the Bundaberg, Gladstone and Townsville LGAs. A total of 670 systems were installed under the program.

Affordable Energy Plan - Energy Savvy Families

The Affordable Energy Plan included a $4 million expansion of the Energy Savvy Families program over multiple years from 2016-17. The program provided digital electricity meters as well as educational material and information to 4,000 low income families in regional Queensland to help them better understand and manage their energy use.

Table A.2.10 Transport and main roads

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
General Public Transport Concessions (South East Queensland)[1]	1,553.4	1,745.0
Rail Network and Infrastructure Funding[2]	651.9	728.4
General Public Transport Concessions (Regional Queensland)	271.6	309.6
Vehicle and Boat Registration Concessions	184.5	192.0
School Transport Assistance Scheme[3]	136.7	155.8
TransLink Transport Concessions (South East Queensland)	82.8	82.3
COVID-19 Relief Measures - Transport Services[4,5]	14.9	47.0
Livestock and Regional Freight Contracts	35.1	40.3
Rail Concession Scheme[6]	29.8	39.4
Other Transport Concessions (Regional Queensland) and Taxi Subsidies	23.3	24.7
Mount Isa Line Below Rail Subsidy	20.0	20.0
COVID-19 Relief Measures - Rent Relief[4]	4.7	7.8
Practical Driving Test[7]	4.5	4.1
Designated Public Transport Concessions for Seniors Card Holders	3.2	4.0
Total	**3,016.4**	**3,400.4**

Notes:

1. The increase is due to the estimated full year reduction in fare revenue due to COVID-19 and increased rail costs for additional train crew and services.
2. The increase is primarily due to increased costs for Cross River Rail operational readiness.
3. The increase is due to indexation of payments, growth in the number of students and additional cleaning costs due to COVID-19.
4. This item is part of the Queensland Government's response to COVID-19.
5. The increase is due to continued assistance in 2020-21 and additional government assistance provided for the taxi and limousine industry.
6. The increase is reflective of the lower demand in 2019-20 due to COVID-19.
7. The reduction in 2020-21 is due to additional revenue from tests that were deferred in April, May and June due to COVID-19.

General Public Transport Concessions (South East Queensland)

The General Public Transport Concessions (South East Queensland) represents the direct funding contribution that government makes towards the cost of operating public transport services within South East Queensland. This contribution effectively reduces the ticket price paid by all public transport users on bus, rail and ferry services, improving the affordability of these services.

Rail Network and Infrastructure Funding

Rail network and infrastructure funding ensures that the State-supported rail network is safe, reliable and fit for purpose. The contract also provides funding to Queensland Rail to support major capital projects and related asset strategies. The funding provided via this contract directly benefits customers of the state supported rail network, including both freight and passengers. Without this funding, rail access charges (including public transport fares) would be significantly higher for all users of the rail network.

General Public Transport Concessions (Regional Queensland)

The General Public Transport Concessions (Regional Queensland) represents the financial contribution that government provides across a range of transport services in regional Queensland. The impact of this contribution benefits all public transport users through reduced transport fares. This concession covers:

- TravelTrain (excluding the Rail Concession Scheme for eligible pensioners, veterans and seniors)
- subsidies for Kuranda Scenic Railway
- subsidies for Heritage Rail Services
- subsidies for the Rail XPT Service (Sydney-Brisbane) and Savannahlander (Atherton Tableland)
- subsidies for air services to remote and rural communities within the state
- subsidies for regional bus and ferry operators (excluding concessional top up amounts and School Transport Assistance Scheme related amounts)
- subsidies for long distance coach services to rural and remote communities within the state.

Vehicle and Boat Registration Concessions

Registration concessions for light and heavy motor vehicles and recreational boats are provided to a range of groups including holders of the Pensioner Concession Card, Queensland Seniors Card and to those assessed by the Department of Veterans' Affairs as meeting the necessary degree of incapacity or impairment. The concession is aimed at improving access to travel for pensioners, seniors and persons with a disability by providing a reduced rate of registration fees. For most eligible card holders, a concession for a family four-cylinder vehicle would reduce the 12-month registration charge from $334.50 to $167.25. For a recreational boat, up to and including 4.5 metres in length, the concession reduces the registration charge from $90.30 to $45.15 (based on registration charges at 1 July 2020).

A Special Interest Vehicle (SIV) registration concession is offered for motor vehicles that have low use associated with vintage and historic and street rod car club events. A 12-month registration for a six-cylinder SIV concession reduces registration from $529.65 to $94.25. A concession is also available for specific purposes such as water, mineral or oil exploration and bee keeping. Eligible primary producers also receive registration concessions for their heavy vehicles, reducing their registration fees by 50% to 75%. For example, a primary producer's 12-month registration fee for a two-axle short combination prime mover reduces from $1,124 to $562. Other motor vehicle registration concessions are also provided to local governments, charitable and community service organisations, and people living in remote areas without access to the wider road network. Vessel registration concessions may be provided to accredited surf lifesaving clubs and schools.

School Transport Assistance Scheme

The School Transport Assistance Scheme assists students that do not have a school in their local area or who are from defined low income groups with travel costs. The scheme provides funding to reduce the cost of travelling to school on bus, rail and/or ferry services, with allowances for private vehicle transport in certain circumstances. A typical concession would be to fully fund the cost of travel from home to the nearest State primary or high school where no local primary or high school is available (for example, from Bargara to Bundaberg High School).

TransLink Transport Concessions (South East Queensland)

The TransLink Transport Concessions (South East Queensland) are provided by the government to ensure access and mobility for Queenslanders who require assistance because of age, disability or fixed low income. Passengers entitled to receive public transport concessions include holders of a Pensioner Concession Card, Veterans' Affairs Gold Card, Seniors Card (all states and territories), Companion Card, Vision Impairment Travel Pass, Total Permanent Incapacitated (TPI) Veteran Travel Pass, children, secondary and tertiary students, Newstart and Youth Allowance (Job Seeker) recipients, asylum seekers and White Card Holders. Under the new 2020 fares, for a peak one-zone journey using a *go* card, the concession will reduce an adult fare from $3.37 to $1.69.

COVID-19 Relief Measures - Transport Services

COVID-19 relief measures for transport services provided by the government include:

- funding assistance to support passenger transport aviation providers, ferry service operators and regional bus operators in Queensland
- financial assistance for the personalised transport industry
- waiving of learner licence renewal fees due to the cancellation of practical driving tests
- waiving cancellation fees, number plate fees and, in most cases, the costs associated with vehicle inspections on re-registration.

Livestock and Regional Freight Contracts

The Livestock and Regional Freight Contracts provide funding to support the movement of cattle (via rail only) and freight (via road and rail) to and from regional areas of Queensland. The funding provided directly benefits the cattle industry and enables regional Queensland communities to maintain employment and directly benefits those communities who are reliant on rail freight services by reducing the cost of these freight services for users.

Rail Concession Scheme

The Queensland Rail Concession Scheme improves the affordability of long distance and urban rail services for eligible pensioners, veterans, seniors and current/past rail employees with 25 years of service. Assistance for long distance rail services is provided through discounted fares and free travel vouchers. For TravelTrain (long distance rail) services, depending on the service, the concession may be for free travel for up to four trips per year for Queensland pensioners (subject to availability of seats and payment of an administration fee).

Other Transport Concessions (Regional Queensland) and Taxi Subsidies

Other transport concessions (Regional Queensland) and taxi subsidies are provided by the government to ensure access and mobility for Queenslanders who require assistance because of age, disability or fixed low income. Passengers entitled to receive public transport concessions include holders of a Pensioner Concession Card, Veterans' Affairs Gold Card, Seniors Card (all states and territories), Companion Card, Vision Impairment Travel Pass, TPI Veteran Travel Pass, children, secondary and tertiary students, Newstart and Youth Allowance (Job Seeker) recipients, asylum seekers and White Card holders. The Taxi Subsidy Scheme aims to improve the mobility of persons with severe disabilities by providing a 50% concession fare up to a maximum subsidy of $25 per trip.

Mount Isa Line Incentive Scheme

In recognition of the importance the Mount Isa Line plays in facilitating the transportation of freight from pit to port, from 2019-20, the Queensland Government is paying $20 million per annum to eligible freight users under the four-year $80 million Mount Isa Line Incentive Scheme. This payment reduces below rail access costs to further promote rail for freight, as well as supporting continued development of the North West Minerals Province.

COVID-19 Relief Measures - Rent Relief

As part of the government's response to COVID-19, rent relief is being provided for tenants who rent space at Department of Transport and Main Roads-owned properties to 31 December 2020.

Practical Driving Test

As part of the state's driver licensing arrangements, applicants for new licences are required to undertake a practical driving test. The total cost to pre-book driver examinations and to perform the practical driver assessment is not fully recovered by the fee charged ($54.91 (excluding GST) as at 1 July 2020), providing a direct concession to applicants.

Designated Public Transport Concessions for Seniors Card Holders

Designated Public Transport Concessions for Seniors Card Holders allows visitors from interstate, who hold a state or territory Seniors Card, to access public transport concessions within Queensland and is fully funded by the Queensland Government.

Table A.2.11 Fire and emergency services

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Emergency Management Levy Concessions	10.2	10.5
COVID-19 Advertising Rental Abatement[1]	0.2	0.4
Total	**10.4**	**10.9**

Notes:

1. This item is part of the Queensland Government's response to COVID-19.

Emergency Management Levy Concessions

The Emergency Management Levy (EML) is applied to all prescribed Queensland property via council rates to ensure there is a secure funding base for fire and emergency services when Queenslanders are at risk during emergencies such as floods, cyclones, storms, fires and accidents. A 20% discount is available on the EML for a property that is the owner's principal place of residence and where the owner holds a Commonwealth Pensioner Concession Card or a Repatriation Health Card (Gold Card).

COVID-19 Advertising Rental Abatement

To support Queensland's economic recovery from the impacts of COVID-19, the Queensland Fire and Emergency Services (QFES) provided rental abatement of up to 120 days on rental rates for billboard advertising located on QFES buildings.

Table A.2.12 Health

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Oral Health Scheme[1]	175.7	175.7
Patient Travel Subsidy Scheme	82.4	94.8
Medical Aids Subsidy Scheme	22.6	29.0
Spectacle Supply Scheme	8.5	9.9
Hospital Car Parking Concession Scheme	1.8	1.8
Community Aids Equipment, Assistive Technologies Initiative and Vehicle Options Subsidy Scheme[2]	0.1	..
Total	**291.1**	**311.2**

Notes:

1. The 2020-21 estimate is based on the 2019-20 actual.
2. Lead times for selected assistive technology rolled over into the 2019-20 period, with payment for these items subsequently made and captured in the budget for that year.

Oral Health Scheme

The Oral Health Scheme provides free dental care to eligible clients and their dependants who possess a current Health Care Card, Pensioner Concession Card, Queensland Seniors Card or Commonwealth Seniors Card. The average value of a course of treatment for eligible clients is approximately $600 for general care, $1,600 for treatment involving dentures, and $250 for emergency dental care. In rural and remote areas where no private dental practitioner exists, access to dental care for the general public is provided at a concessional rate, generally 15% to 20% less than average private dental fees.

Patient Travel Subsidy Scheme

The Patient Travel Subsidy Scheme (PTSS) provides financial assistance to patients travelling for specialist medical services that are not available locally. The PTSS provides a financial subsidy toward the cost of travel and accommodation for patients, and in some cases an approved escort, when patients are required to travel more than 50 kilometres from their nearest public hospital or public health facility to access specialist medical services.

Patients receive fully subsidised commercial transport for the most clinically appropriate cost-effective mode or will be subsidised at the economy/government discount rate (excluding GST). A subsidy of 30 cents per kilometre is paid where patients travel by private car. Accommodation subsidies are $60 per person, per night, for the patient and approved escort if they stay in commercial accommodation, or a subsidy of $10 per person, per night, if staying with family or friends.

Medical Aids Subsidy Scheme

The Medical Aids Subsidy Scheme (MASS) provides access to subsidy funding assistance for the provision of a range of aids and equipment to eligible Queensland residents with permanent and established conditions or disabilities. Aids and equipment are provided primarily to assist people to live at home, therefore avoiding premature or inappropriate residential care or hospitalisation.

Subsidies vary based on service category and clinical criteria and are provided to assist with the costs of communication aids, continence aids, daily living aids, medical grade footwear, mobility aids, orthoses and oxygen. The scheme provided approximately 55,000 occasions of service to approximately 38,000 clients during 2019-20.

Spectacle Supply Scheme

The Spectacle Supply Scheme (SSS) provides eligible Queensland residents with free access to a comprehensive range of basic spectacles every two years including bifocals and trifocals. Applicants must be holders of eligible concession cards and be deemed by a prescriber to have a clinical need for spectacles.

The SSS provides around 90,000 items each year to approximately 70,000 clients (some clients require more than one pair of spectacles due to clinical need). The average cost of services provided to applicants is approximately $108 per item, including the costs of administering the scheme through the Medical Aids Subsidy Scheme.

Hospital Car Parking Concession Scheme

The Hospital Car Parking Concession Scheme supports hospital and health services to provide affordable car parking for eligible patients and their carers at 13 Queensland public hospitals with paid parking. Car parking concessions are available to eligible patients and their carers who attend hospital frequently or for an extended period of time, patients and their carers with special needs who require assistance, and patients and carers experiencing financial hardship.

The scheme provides access to discounted parking with an average discount of approximately 54% of the commercial cost of parking. It is estimated that for 2020-21, approximately 323,000 patients and carers will benefit from the scheme, receiving access to 470,000 concessions.

Community Aids Equipment and Assistive Technologies Initiative and Vehicle Options Subsidy Scheme

The Community Aids Equipment and Assistive Technologies Initiative (CAEATI) and Vehicle Options Subsidy Scheme (VOSS) provide financial assistance to eligible Queensland residents to support them to be more independent, participate further in social and economic opportunities in the community and contribute to a better quality of life.

CAEATI funding is capped at $10,000 per client over a three-year period. CAEATI includes aids, equipment and assistive technologies for postural support, communication support, community mobility and active participation.

VOSS funding is capped at $10,000 per client over a five-year period. VOSS provides subsidies for a range of vehicle access options, including subsidised driving lessons on a suitably modified vehicle, modifications to a vehicle, purchase of a suitably modified vehicle or a vehicle suitable for modification.

To receive funding through either of these schemes, an individual must be assessed as eligible for specialist disability support under the *Disability Support Act 2006.* Queensland resident eligibility is determined during the intake process and confirmed as part of the assessment process.

Funding was transferred to the National Disability Insurance Scheme (NDIS) on 1 July 2019 and CAEATI and VOSS ceased receiving applications on 1 October 2018. The NDIS was fully rolled out in Queensland on 30 June 2019.

A.3 Concessions by Government-owned corporation

Table A.3.1 Energy Queensland

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Regulated Service Charges – Energex	12.7	28.4
Regulated Service Charges – Ergon Energy	6.0	11.5
Total	**18.7**	**39.9**

Regulated Service Charges – Energex
Under Schedule 8 of the *Electricity Regulation 2006*, service charges for a range of services provided by Energex Limited (Energex) to energy retailers, for example disconnection and reconnection of supply, are capped. The maximum amount Energex is able to charge for these services is, on average, less than the value which the Australian Energy Regulator ascribes to the provision of these services by Energex, resulting in a concession provided to energy retailers and in turn, to households.

Regulated Service Charges – Ergon Energy
Under Schedule 8 of the *Electricity Regulation 2006*, service charges for a range of services provided by Ergon Energy Corporation Limited (Ergon Energy) to energy retailers such as disconnection and reconnection of supply, are capped. The maximum amount Ergon Energy is able to charge for these services is, on average, less than the value which the Australian Energy Regulator ascribes to the provision of these services by Ergon Energy, resulting in a concession provided to energy retailers and in turn, to households.

Table A.3.2 Gladstone Ports Corporation Limited

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Concessional Port Charges	42.9	39.3
Total	**42.9**	**39.3**

Concessional Port Charges
The Gladstone Ports Corporation Limited (GPC) is subject to a number of long-term major industry contracts where port charges are significantly lower than market rates. These historical contracts were entered into to support various industries and government initiatives from time to time. The amounts shown are estimates of the revenue foregone by GPC as a result of being unable to charge commercial rates.

Table A.3.3 Sunwater Limited

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Water Supply Contracts	50.2	49.8
Total	**50.2**	**49.8**

Water Supply Contracts

Sunwater Limited has a number of historic non-commercial water supply contracts that benefit specific entities (including local governments). The amount shown represents the difference between the estimated revenue under these contracts and that which could be recovered under a full cost allocation model.

Table A.3.4 Concessional Leases (Industry, Commercial and Community) by entity

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Port of Townsville Limited	6	6.1
Gladstone Ports Corporation Limited	2.9	2.9
Queensland Rail Limited	2	2.1
Far North Queensland Ports Corporation Limited	1.8	1.8
North Queensland Bulk Ports Corporation Limited	1.7	1.7
Total	**14.4**	**14.6**

Concessional Leases (Industry, Commercial and Community)

The above government-owned corporation entities provide leases to various community organisations, local councils, government departments and industry participants at below commercial rates. The amounts shown are estimates of the revenue foregone by not charging commercial rates.

Table A.3.5 COVID-19-related measures by entity

Concession	2019-20 Actual $ million	2020-21 Estimate $ million
Queensland Rail Limited	2.4	6.0
Far North Queensland Ports Corporation Limited	2.6	4.2
Port of Townsville Limited	0.4	0.7
Gladstone Ports Corporation Limited	..	0.4
Queensland Bulk Water Supply Authority (Seqwater)	0.2	0.2
Energy Queensland	0.1	0.1
North Queensland Bulk Ports Corporation Limited	0.1	..
Powerlink	0.1	..
Total	**5.9**	**11.6**

COVID-19-related measures (Industry, Commercial and Community)

As part of the Queensland Government's COVID-19 response, the above government owned businesses provide relief measures to support community organisations and businesses adversely affected by COVID-19. Relief measures include temporary reductions to commercial leases, fees and other charges. The amounts shown are estimates of the revenue foregone by not charging commercial rates. To be included in the above table, concessions must meet the minimum materiality threshold of estimated revenue foregone of $50,000. Some government owned businesses provide COVID-19 relief measures below this threshold including Sunwater, CS Energy, Stanwell and CleanCo.

Appendix B: Tax Expenditure Statement

Context

Governments employ a range of policy tools to achieve social and economic objectives. These include the use of direct budgetary outlays, regulatory mechanisms and taxation.

This Tax Expenditure Statement (TES) details revenue foregone as a result of government decisions relating to the provision of tax exemptions or concessions. The TES is designed to improve transparency in the use of tax expenditures and increase public understanding of the fiscal process.

Tax expenditures are reductions in tax revenue that result from the use of the taxation system as a policy tool to deliver government policy objectives. Tax expenditures are provided through a range of measures, including:

- tax exemptions, rebates or deductions
- the application of reduced tax rates to certain groups or sectors of the community
- provisions, which defer payment of a tax liability to a future period.

Labelling an exemption or concession as a tax expenditure does not necessarily imply any judgement as to its appropriateness. It merely makes the amount of the exemption or concession explicit and thereby facilitates its scrutiny as part of the annual budget process.

COVID-19 and implications for tax expenditure

The impact of the coronavirus (COVID-19) pandemic on Queensland businesses has been significant and the Queensland Government moved quickly to introduce substantial tax relief measures to support Queensland businesses, particularly small to medium businesses. These initiatives were primarily aimed at supporting the cashflow and viability of Queensland businesses, landlords, tenants, and the state's pubs and clubs.

The key relief measures fell under three categories:

- Direct refunds, holidays, rebates or waivers of tax liabilities – refunds and holidays related to payroll tax; and a 25% discount and waiver of foreign surcharge on land tax.
- Deferrals of tax liabilities – various deferrals of payroll tax, land tax, gaming machine tax and lotteries tax.
- Exemptions – JobKeeper payments were exempted from payroll tax.

The impact of these measures has resulted in a significant increase in foregone revenue. While the impact on tax expenditures in 2019-20 is discussed below, some measures will continue to substantially impact revenue in 2020-21. This additional expenditure will be reflected in the 2021-22 Tax Expenditure Statement.

Methodology

Revenue foregone approach

The method used almost exclusively by governments to quantify the value of their tax expenditures is the revenue foregone approach. This method estimates the revenue foregone through use of the concession by applying the benchmark rate of taxation to the volume of activities or assets affected by the concession.

One of the deficiencies of the revenue foregone approach is that effects on taxpayer behaviour resulting from tax expenditures are not factored into the estimate. Consequently, the aggregation of costings for individual tax expenditure items presented in the TES will not necessarily provide an accurate estimate of the total level of assistance provided through tax expenditures.

Additionally, while total COVID-19 relief is included in the TES, some relief was treated as a grant expense, for example in relation to rebates of already-paid tax liabilities. In these cases, the associated tax expenditure did not reduce revenues.

Measuring tax expenditures requires the identification of:

- a benchmark tax base
- concessionally taxed components of the benchmark tax base such as a specific activity or class of taxpayer
- a benchmark tax rate to apply to the concessionally taxed components of the tax base.

Defining the tax benchmark

The most important step in the preparation of a TES is the establishment of a benchmark for each tax included in the statement. The benchmark provides a basis against which each tax concession can be evaluated. The aim of the benchmark is to determine which concessions are tax expenditures as opposed to structural elements of the tax. The key features of a tax benchmark are:

- the tax rate structure
- any specific accounting conventions applicable to the tax
- the deductibility of compulsory payments
- any provisions to facilitate administration
- provisions relating to any fiscal obligations.

By definition, tax expenditures are those tax concessions not included as part of the tax benchmark.

Identification of benchmark revenue bases and rates requires a degree of judgement and is not definitive. Furthermore, data limitations mean that the tax expenditures are approximations and are not exhaustive. This statement does not include estimates of revenue foregone from exemptions or concessions provided to government agencies. Very small exemptions or concessions are also excluded.

The Tax Expenditure Statement

This year's statement includes estimates of tax expenditures in 2018-19 and 2019-20 for payroll tax, land tax, duties, the waste disposal levy and gambling taxes. A summary of the major tax expenditures valued on the basis of revenue foregone is presented in Table B.1. Not all expenditures can be quantified at this time. Accordingly, the total value of tax expenditures should be considered as indicative only.

Table B.1 Tax expenditure summary[1]

	2018-19[2] $ million	2019-20 $ million
Payroll tax		
Exemption threshold	1,381	1,526
Deduction scheme	374	462
Regional discount	n/a	88
COVID-19 relief[3,4]	n/a	227
Section 14 exemptions	811	880
Total payroll tax	**2,592**	**3,183**
Land tax		
Liability thresholds	765	798
Graduated land tax scale	1,234	1,425
Primary production deduction	110	128
Part 6 Divisions 2 and 3 exemptions not included elsewhere[5]	177	195
Land developers' concession	13	18
COVID-19 relief[3,4,6]	n/a	176
Total Land tax	**2,300**	**2,740**
Duties		
Transfer duty on residential property		
Home concession	376	389
First home concession	199	216
First home vacant land	22	22
Insurance duty		
WorkCover	68	72
Health insurance	453	466
Total duties	**1,119**	**1,158**
Queensland waste levy		
Exempt waste – general	n/a	127
Approved exemptions		72
Approved discounts	n/a	13
Total waste levy	**n/a**	**212**
Taxes on gambling		
Gaming machine taxes	115	85
Casino taxes	8	7
Total gambling tax	**123**	**92**
Total	**6,134**	**7,385**

Notes:

1. Numbers may not add due to rounding.
2. 2018-19 estimates may have been revised since the 2019-20 Budget.
3. Several COVID-19 relief measures resulted in support being provided across the 2019-20 and 2020-21 years. Therefore, additional expenditure incurred in 2020-21 will be reflected in the 2021-22 Budget.

4. Significant relief was provided after revenue had already been accrued and therefore the funding provided for these measures were treated as refunds via grant expenses. This expense, along with any interest cost of deferred payments, has not been included in this table.
5. Applicable, but not limited to; religious bodies, public benevolent institutions and other exempt charitable institutions.
6. Includes waiver of the 2019-20 foreign surcharge, some of which may have been eligible for ex-gratia relief.

Discussion of individual taxes

Payroll tax

The benchmark tax base for payroll tax is assumed to be all taxable wages, salaries and supplements (including employer superannuation contributions) paid in Queensland, as defined in the *Payroll Tax Act 1971*. The benchmark tax rate for payroll tax is assumed to be 4.75% in 2018-19 and 4.95% in 2019-20.

Payroll tax exemption threshold

Until 30 June 2019, employers who employ in Queensland with an annual Australian payroll of $1.1 million or less are exempt from payroll tax. From 1 July 2019, the exemption threshold was increased to $1.3 million in annual Australian wages. On the basis of May 2020 average weekly adult total earnings, the new threshold corresponded to businesses with payrolls equivalent to employing approximately 15 full-time equivalent employees. This exemption is designed to assist small and medium sized businesses.

Deduction scheme

Until 30 June 2019, employers who employed in Queensland with Australian payrolls between $1.1 million and $5.5 million benefited from a deduction of $1.1 million, which reduced by $1 for every $4 by which the annual payroll exceeded $1.1 million. From 1 July 2019, the deduction applies to payrolls between $1.3 million and $6.5 million with no deduction for employers or groups that have annual payroll in excess of $6.5 million.

From 1 July 2019, the tax rate which applied to employers with Australian taxable wages up to $6.5 million was 0.2 percentage points lower than the tax rate which applied to employers with Australian taxable wages above $6.5 million.

Regional discount

Employers who are based in regional Queensland and pay over 85% of taxable wages to regional areas may be entitled to a discount on the rate of payroll tax imposed on their taxable wages. The discounted payroll tax rates for regional businesses are 3.75% for employers who pay $6.5 million or less in Australian taxable wages, or 3.95% for employers who pay more than $6.5 million in Australian taxable wages.

Apprentice and trainee rebate

In addition to most apprentice and trainee wages being exempt from payroll tax, a payroll tax rebate is available that reduces total payroll tax liability. The rebate amount is calculated by multiplying 50% of the apprentice and trainee wages by the applicable payroll tax rate for each return period.

COVID-19 relief – payroll tax

In response to the COVID-19 pandemic, a number of payroll tax relief measures were implemented to assist Queensland businesses that resulted in foregone revenue or increased expenditure in 2019-20, including:

- Payroll tax refunds of two months' liabilities for small businesses and large businesses negatively impacted by COVID-19.
- A three-month payroll tax holiday for small businesses.
- A deferral of payroll tax liabilities for all businesses negatively affected by COVID-19.
- Exemption from payroll tax of the subsidised component of the Australian Government's JobKeeper payment.

Significant relief was provided after revenue had already been accrued and therefore the funding provided for these measures were treated as refunds via grant expenses. These amounts, along with any interest cost of deferrals which will be paid at a later time, have not been included in the TES.

Section 14 exemptions

A number of organisations are provided with exemptions from payroll tax under Section 14 of the *Payroll Tax Act 1971*. The activities for which estimates have been calculated are wages paid by public hospitals, non-tertiary private educational institutions and local governments (excluding commercial activities).

Land tax

The benchmark tax base is assumed to be all freehold land within Queensland, excluding residential land used as a principal place of residence and land owned by individuals with a value for that year below the threshold. The benchmark tax rate for land tax is assumed to be the top rate of land tax applicable in Queensland in each financial year.

Liability thresholds

Land tax is payable on the value of taxable land equal to or above a threshold which depends on the land's ownership. The threshold for companies, trusts and absentees is $350,000 and for resident individuals the threshold is $600,000.

Land owned by resident individuals as their principal place of residence is excluded from the estimate. The exemption from paying below a minimum amount is not included as a tax expenditure as it is regarded as the application of an administration threshold.

Graduated land tax scale

A graduated (concessional) scale of land tax rates is applicable to land holdings with a taxable value of less than $10 million for resident individuals and companies, trustees and absentees. In 2019-20, the benchmark rates used for estimating the tax expenditures were 2.25% for individuals, 2.5% for absentees and 2.75% for companies and trustees.

Primary production deduction

The taxable value of land owned by a resident individual, trustee or some absentees and companies does not include all or part of their land that is used for the business of agriculture, pasturage or dairy farming.

Part 6 Divisions 2 and 3 exemptions (not elsewhere included)

A number of land tax exemptions are granted in Part 6 Divisions 2 and 3 of the *Land Tax Act 2010* to eligible organisations. These include, but are not limited to, public benevolent institutions, religious institutions and other exempt charitable institutions, retirement villages, trade unions and showgrounds.

Land developers' concession

Land tax payable by land developers is calculated on the basis that the unimproved value of undeveloped land subdivided in the previous financial year and which remains unsold at 30 June of that year is 60% of the Valuer-General's value. This concession is outlined in Section 30 of the *Land Tax Act 2010*.

COVID-19 relief – land tax

In response to the COVID-19 pandemic, a number of relief measures were implemented to assist landowners and tenants that resulted in foregone revenue or increased expenditure in 2019-20, including:

- a 25% rebate on the 2019-20 land tax liability for eligible land owners that provide commensurate rent relief to COVID-19 impacted tenants, or that are unable to secure tenants due to COVID-19.
- The waiver of the 2% foreign land tax surcharge in 2019-20.

Significant relief was provided after revenue had already been accrued and therefore the funding provided for these measures were treated as refunds via grant expenses. These amounts have not been included in the TES.

Duties

Home concession

A concessional rate of duty applies to purchases of a principal place of residence.
A 1% concessional rate applies on dutiable values up to $350,000, rather than the normal schedule of rates between 1.5% and 3.5%. For properties valued over $350,000, the scheduled rates of transfer duty apply on the excess.

First home concession

Where a purchaser has not previously owned a residence in Queensland or elsewhere, the purchaser of a home receives a more generous concession on duty. This concession comprises a rebate in addition to the home concession on properties (this concession may not be applicable if the purchase price is less than the full market value of the property). The size of the rebate depends on the value of the property. A full concession is provided to purchases of a first principal place of residence valued up to $500,000.

First home vacant land concession

A first home concession is available for the purchase of certain vacant land up to the value of $400,000, with a full concession available on certain vacant land up to the value of $250,000.

Insurance duty

The benchmark tax base is assumed to be all premiums for general insurance policies (not for life insurance). The benchmark tax scale is assumed to be the scale that actually applied in each financial year.

Queensland waste levy

The Queensland waste levy commenced on 1 July 2019 at $75 per tonne (higher for regulated wastes). The levy is payable on waste disposed to landfill, except waste generated and disposed in the non-levy zone.

General levy exemptions exist for other wastes, such as those from declared disasters and severe local weather events. Levy exemptions of up to 100% are available on application for different wastes, such as waste from charitable recycling organisations and community clean-up events. Levy discounts of 50% are available on application for residue wastes from particular recycling activities. Seventy per cent of proceeds from the waste levy will be used for waste programs, environmental priorities and community purposes.

Gambling taxes

Gaming machine tax concessions for licensed clubs

The benchmark tax base is assumed to be all gaming machines operated by licensed clubs and hotels in Queensland. The benchmark tax rate is assumed to be the highest marginal tax rate (as is applied to hotels) that actually applied in each financial year.

A progressive tax rate scale applies to gaming machines operated by licensed clubs. The tax rate is calculated monthly on the gaming machine taxable metered win and the top tax rate is only applied to the portion of gaming machine revenue where the monthly metered win exceeds $1.4 million for any licensed club.

Casino tax concessions

The benchmark tax base is assumed to be all casinos operating in Queensland. The benchmark tax rate is assumed to be the highest tax rate that is actually applied in each financial year.

A tax rate of 20% of gross revenue applies for standard transactions in the Brisbane and Gold Coast casinos. A concessional tax rate of 10% applies for gross revenue from standard transactions in the Cairns and Townsville casinos. The tax rate applicable to gaming machines in casinos is 30% of gross revenue in the Brisbane and Gold Coast casinos and 20% in the Cairns and Townsville casinos.

In addition, concessional rates of 10% also apply for revenue from high rollers table game play in all casinos. A goods and services tax (GST) credit is provided to casinos that approximates a reduction in the above tax rates of 9.09%

COVID-19 relief – gambling taxes

In response to the COVID-19 pandemic, gaming machine taxes from March 2020 were deferred. They were originally to be paid in three instalments in February 2021, April 2021 and June 2021, but the 2020-21 Budget has extended all payments until June 2021. Lotteries' taxes from 1 July 2020 to 31 December 2020 were deferred until 30 March 2021. These deferrals have not reduced revenue so they have not been included in the table above.

Appendix C: Revenue and expense assumptions and sensitivity analysis

The Queensland Budget, like those of other jurisdictions, is based in part on assumptions made about parameters, both internal and external to the state, which can impact directly on economic and fiscal forecasts.

The sensitivity of revenue and expense forecasts to movements in underlying assumptions is particularly relevant in the current context of the almost unprecedented uncertainty in global and national economic conditions and key economic parameters in the context of the coronavirus (COVID-19) crisis.

This appendix outlines the assumptions underlying the revenue and expense estimates and analyses the sensitivity of the estimates to changes in the economic and other assumptions. This analysis is provided to enhance the level of transparency and accountability of the government.

The forward estimates in the budget are framed on a no policy change basis. That is, the expenditure and revenue policies in place at the time of the budget (including those announced in the budget) are applied consistently throughout the forward estimates period.

Table C.1 Taxation and royalty revenue[1]

	2018-19 Actual $ million	2019-20 Actual $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
Payroll tax	4,160	4,211	3,896	4,304	4,611	4,923
Transfer duty	3,195	3,041	2,694	2,953	3,157	3,381
Other duties	1,549	1,583	1,613	1,690	1,780	1,876
Gambling taxes and levies	1,333	1,258	1,477	1,495	1,553	1,622
Land tax	1,334	1,406	1,493	1,617	1,643	1,661
Motor vehicle registration	1,850	1,910	1,948	2,022	2,098	2,176
Other taxes	745	1,175	1,208	1,266	1,288	1,329
Total taxation revenue	**14,165**	**14,585**	**14,330**	**15,347**	**16,130**	**16,967**
Royalties						
Coal	4,372	3,517	1,643	2,372	2,761	2,951
Petroleum[2]	454	466	308	467	635	702
Other royalties[3]	393	549	535	506	507	515
Land rents	159	154	146	172	174	176
Total royalties and land rents	**5,378**	**4,686**	**2,631**	**3,517**	**4,077**	**4,345**

Notes:
1. Numbers may not add due to rounding.
2. Includes impact of liquefied natural gas (LNG).
3. Includes base and precious metal and other mineral royalties.

The following discussion provides details of some of the key assumptions, estimates and risks associated with revenue and expenditure and, where a direct link can be established, the indicative impact on forecasts resulting from a movement in those variables.

Taxation revenue assumptions and revenue risks

The rate of growth in tax revenues is dependent on a range of factors that are linked to the rate of growth in economic activity in the state. Some taxes are closely related to activity in specific sectors of the economy, whilst others are broadly related to the general rate of economic growth, employment, inflation and wages. A change in the level of economic activity, resulting from economic growth differing from forecast growth, would impact upon a broad range of taxation receipts.

Wages and employment growth - payroll tax collections

Wages and employment growth have a direct impact on payroll tax collections. The budget assumptions are for an increase in wages of 1¼% and an increase in employment of 1% in 2020-21. The composition of the payroll tax base is also important as businesses in sectors such as tourism, retail and hospitality are often outside the tax base because they are below a threshold. A one percentage point variation in either Queensland wages growth or employment would change payroll tax collections by approximately $39 million in 2020-21.

Transfer duty estimates

Transfer duty collections in 2020-21 are expected to decrease by 11% compared with 2019-20 actuals, largely due to the weak outlook for the non-residential sector generally and for large commercial transactions.

Across the forward estimates period, annual average growth of around 3% is expected in total transfer duty.

A one percentage point variation in either the average value of property transactions or the volume of transactions would change transfer duty collections by approximately $27 million in 2020-21.

Royalty assumptions and revenue risks

Table C.2 below provides the 2020-21 Budget assumptions regarding coal royalties, which represent the bulk of Queensland's royalty revenue.

Table C.2 Coal royalty assumptions

	2019-20 Actual	2020-21 Budget	2021-22 Projection	2022-23 Projection	2023-24 Projection
Tonnages – crown export[1] coal (Mt)	206	188	211	220	234
Exchange rate US$ per A$[2]	0.67	0.72	0.72	0.72	0.72
Year average coal prices (US$ per tonne)[3]					
Hard coking	152	109	132	139	140
Semi-soft	111	78	94	101	102
Thermal	88	68	66	69	70
Year average oil price					
Brent ($US per barrel)[4]	65	39	50	57	60

Notes:

1. Excludes coal produced for domestic consumption and coal where royalties are not paid to the government, i.e. private royalties. The 2020-21 estimate for domestic coal volume is approximately 25.5 Mt and private coal is 10.8 Mt.
2. Year average.
3. Price for highest quality coking and thermal coal. Lower quality coal can be sold below this price with indicative average prices for 2020-21 as follows: Hard coking US$102/t and thermal US$63/t.
4. Published Brent oil prices are lagged by one quarter to better align with royalty revenue.

Exchange rate and commodity prices and volumes

Estimates of mining royalties are sensitive to movements in the A$-US$ exchange rate and commodity prices and volumes.

Contracts for the supply of commodities are generally written in US dollars. Accordingly, a change in the exchange rate impacts on the Australian dollar price of commodities and therefore expected royalties collections.

Potential impact on coal royalty revenue

For each one cent movement in the A$-US$ exchange rate, the annual impact on royalty revenue would be approximately $37 million.

A 1% variation in export coking and thermal coal volumes would lead to a change in royalty revenue of approximately $16 million. A 1Mt variation would lead to a change in royalty revenue of approximately $8 million.

A 1% variation in the average price of export coal would lead to a change in royalty revenue of approximately $26 million.

Parameters influencing Australian Government GST payments to Queensland

The Queensland Budget incorporates estimates of GST revenue grants to Queensland based on Australian Government estimates of national GST collections and Queensland Treasury assumptions of Queensland’s share. The estimates of collections are primarily determined by the value of national consumption subject to GST.

Since the Australian Government payments are based on the amount actually collected, it is Queensland’s Budget that bears the risks of fluctuations in GST collections. As with all other tax estimates, there is a risk of lower collections than estimated if economic growth and consumption are weaker than expected.

Due to the complexities associated with the GST base, the information provided in the Australian Government Budget Papers is not sufficient to prepare indicative forecasts of the sensitivity of GST estimates to key variables.

Sensitivity of expenditure estimates and expenditure risks

Public sector wage costs

Salaries and wages form a large proportion of General Government Sector operating expenses. Increases in salaries and wages are negotiated through enterprise bargaining agreements.

The 2020-21 Budget and forward estimates reflect wage increases consistent with existing agreements and the government's wages policy where outcomes are yet to be finalised.

A general 1% increase in wage outcomes in one year would increase expenses by around $262 million in that year. The impact would compound and be much larger in the later years.

Interest rates

The General Government Sector has a total debt servicing cost estimated at $1.725 billion in 2020-21. The current average duration of General Government Sector borrowing with the Queensland Treasury Corporation is 6.7 years. The majority of General Government Sector debt is held under fixed interest rates and therefore the impact of interest rate variations on debt servicing costs in 2020-21 would be relatively modest, with the impact occurring progressively across the forward estimates.

Actuarial estimates of superannuation and long service leave

Liabilities for superannuation and long service leave are estimated by the State Actuary with reference to, among other things, assumed rates of investment returns, salary growth, inflation and discount rate. These liabilities are therefore subject to changes in these parameters. Similarly, the long service leave liabilities are subject to the risk that the actual rates of employee retention will vary from those assumed in the liability calculation.

Appendix D: Fiscal aggregates and indicators

Table D1 Key Fiscal Aggregates[1]

	2012-13 Actual $ million	2013-14 Actual $ million	2014-15 Actual $ million	2015-16 Actual $ million	2016-17 Actual $ million	2017-18 Actual $ million	2018-19 Actual $ million	2019-20 Actual $ million	2020-21 Budget $ million	2021-22 Projection $ million	2022-23 Projection $ million	2023-24 Projection $ million
General Government												
Total revenue	41,755	46,705	49,970	50,780	56,194	58,087	59,828	57,764	56,249	60,504	63,394	66,326
Tax revenue	10,937	11,840	12,598	12,547	12,919	13,244	14,165	14,585	14,330	15,347	16,130	16,967
Total expenses	46,313	46,217	49,551	50,112	53,369	56,337	58,843	63,498	64,881	64,806	65,874	67,715
Employee expenses	18,130	17,816	18,592	20,045	21,258	22,681	24,019	25,660	26,470	26,848	27,864	28,962
Net operating balance	(4,558)	488	420	668	2,825	1,750	985	(5,734)	(8,633)	(4,303)	(2,480)	(1,389)
Capital purchases	7,001	6,323	4,635	4,044	4,620	5,126	5,764	6,291	7,572	8,136	8,078	7,762
Net capital purchases	3,387	3,085	996	1,163	2,265	2,337	3,192	3,424	4,808	4,782	4,166	2,982
Fiscal balance	(7,944)	(2,597)	(576)	(495)	560	(587)	(2,207)	(9,158)	(13,440)	(9,085)	(6,647)	(4,370)
Borrowing with QTC	36,508	39,864	41,343	34,200	31,358	29,256	29,468	37,570	53,501	64,525	73,924	80,653
Leases and similar arrangements[3]	1,370	1,503	1,761	1,286	1,882	2,142	2,612	6,499	7,565	7,408	7,484	7,768
Securities and Derivatives	1	1	(0)	(0)	(0)	122	121	198	198	198	198	198
Net debt	2,466	5,208	5,749	654	(355)	(509)	(198)	14,046	25,499	35,511	44,228	50,782
Non-financial Public Sector												
Total revenue	49,181	53,502	56,178	57,393	64,855	66,164	68,329	66,156	64,271	68,833	72,064	75,417
Capital purchases	10,774	9,313	7,811	6,852	7,291	7,643	8,460	9,467	11,032	11,811	11,527	11,004
Borrowing with QTC	67,116	70,668	73,256	71,160	69,107	66,964	67,576	76,464	93,467	104,626	114,217	121,039
Leases and similar arrangements[3]	1,559	1,752	1,802	1,316	1,882	2,142	2,612	6,991	8,033	7,843	7,884	8,135
Securities and Derivatives	411	216	175	446	895	405	720	1,505	720	618	567	549

Notes:

1. Bracketed numbers represent negative amounts.
2. With the implementation of the latest GFS Manual (AGFS15), some categories have been restated above to ensure comparability.
3. Approximately $2.2 billion increase in General Government and $2.6 billion in NFPS in 2019-20 on adoption of the new lease accounting standard AASB 16

Table D2 Key Fiscal Indicators[1]

	2012-13 Actual[2] %	2013-14 Actual[2] %	2014-15 Actual[2] %	2015-16 Actual[2] %	2016-17 Actual[2] %	2017-18 Actual[2] %	2018-19 Actual[2] %	2019-20 Actual %	2020-21 Budget %	2021-22 Projection %	2022-23 Projection %	2023-24 Projection %
General Government												
Revenue/GSP	14.7	16.0	16.9	16.7	17.0	16.5	16.2	15.8	15.9	16.1	16.2	16.1
Tax/GSP	3.9	4.1	4.2	4.1	3.9	3.8	3.8	4.0	4.1	4.1	4.1	4.1
Own source revenue/GSP	8.3	8.6	8.9	8.9	8.7	8.6	8.5	8.3	7.7	7.9	8.0	8.0
Expenses/GSP	16.3	15.9	16.7	16.5	16.1	16.0	15.9	17.4	18.4	17.3	16.8	16.5
Employee expenses/GSP	6.4	6.1	6.3	6.6	6.4	6.5	6.5	7.0	7.5	7.1	7.1	7.0
Net operating balance/GSP	(1.6)	0.2	0.1	0.2	0.9	0.5	0.3	(1.6)	(2.4)	(1.1)	(0.6)	(0.3)
Capital purchases/GSP	2.5	2.2	1.6	1.3	1.4	1.5	1.6	1.7	2.1	2.2	2.1	1.9
Net cash inflows from operating activities/Net cash flows from investments in non-financial assets	(40.7)	45.9	97.5	122.9	134.2	107.0	105.5	(3.0)	(90.0)	(6.0)	5.7	26.0
Fiscal balance/GSP	(2.8)	(0.9)	(0.2)	(0.2)	0.2	(0.2)	(0.6)	(2.5)	(3.8)	(2.4)	(1.7)	(1.1)
Total borrowings/GSP	13.4	14.2	14.5	11.7	10.0	9.0	8.7	12.1	17.3	19.2	20.8	21.5
Total Borrowings/Revenue	90.7	88.6	86.3	69.9	59.2	54.3	53.8	76.6	108.9	119.2	128.7	133.6
Lease and other liabilities/revenue	3.3	3.2	3.5	2.5	3.3	3.7	4.4	11.3	13.4	12.2	11.8	11.7
Revenue growth	(8.8)	11.9	7.0	1.6	10.7	3.4	3.0	(3.5)	(2.6)	7.6	4.8	4.6
Tax growth	3.1	8.3	6.4	(0.4)	3.0	2.5	7.0	3.0	(1.7)	7.1	5.1	5.2
Expenses growth	0.6	(0.2)	7.2	1.1	6.5	5.6	4.4	7.9	2.2	(0.1)	1.6	2.8
Employee expenses growth	(0.7)	(1.7)	4.4	7.8	6.1	6.7	5.9	6.8	3.2	1.4	3.8	3.9
Non-Financial Public Sector												
Capital purchases/GSP	3.8	3.2	2.6	2.3	2.2	2.2	2.3	2.6	3.1	3.1	2.9	2.7
Total borrowings/GSP	24.4	24.9	25.4	24.0	21.7	19.8	19.2	23.3	28.9	30.1	31.3	31.5
Total Borrowings/Revenue	140.5	135.8	133.9	127.1	110.8	105.1	103.8	128.4	159.0	164.3	170.2	172.0
Net financial liabilities[3]/revenue	133.4	129.8	125.2	127.4	111.2	111.5	114.9	146.5	175.5	178.2	179.7	175.5

Notes:

1. Bracketed numbers represent negative amounts.
2. With the implementation of the latest GFS Manual (AGFS15), some categories have been restated above to ensure comparability.

Queensland Government

Queensland Budget 2020–21

Budget Strategy and Outlook Budget Paper No.2

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