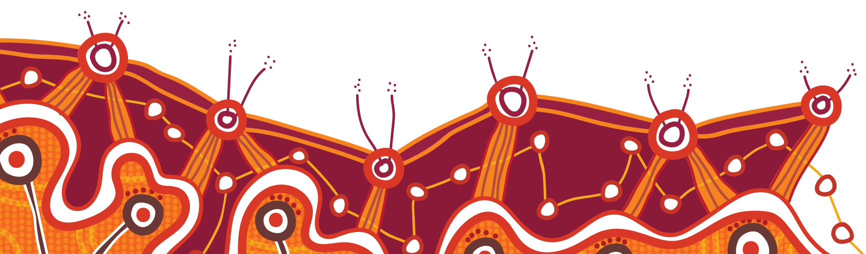
QUEENSLAND
BUDGET 2023–24

Queensland | Good jobs | Better services | Great lifestyle

QUEENSLAND'S ACTION ON
TACKLING THE COST OF LIVING
THE NATIONAL COST OF LIVING

BUDGET STRATEGY AND OUTLOOK

BUDGET PAPER NO. 2



Queensland Government

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Budget Strategy and Outlook
Budget Paper No. 2

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Queensland Government

State Budget 2023–24

Budget Strategy and Outlook

Budget Paper No. 2

Contents

Overview

Leveraging Queensland's strong economic performance, the 2023–24 Queensland Budget is responding to key challenges facing Queenslanders, including addressing cost-of-living pressures, enhancing health services, improving housing affordability and keeping communities safe.

The Budget is also investing substantially in healthcare and critical infrastructure across all regions to position Queensland on a clear path towards longer-term growth and prosperity.

The historic surplus in 2022–23, driven by the temporary surge in royalties due to the exceptionally high coal prices benefitting the state's coal producers, is providing capacity for the government to address these immediate challenges. This includes delivering substantial cost-of-living support to Queensland families and businesses, while also funding a record capital program to grow the economy and respond to Queensland's service and regional needs.

Tackling the cost of living

Cost-of-living pressures are being felt across the country, with all Australian households, businesses and industries continuing to face challenges including higher interest rates and higher costs of goods and services.

The Queensland Government is taking action on this national problem, with the 2023–24 Budget providing a record $8.224 billion in concessions, an increase of over 21 per cent compared to 2022–23.

Notably, the 2023–24 Budget is providing $1.617 billion in new and expanded cost-of-living measures in 2023–24.

This includes $1.483 billion to deliver additional electricity bill support for households and small businesses facing cost-of-living pressures. This is the most significant electricity bill support package announced by any state or territory, more than doubling the size of the federally agreed support package for Queensland under the National Energy Bill Relief Fund.

This year's Budget provides $645 million over 4 years from 2023–24 to provide 15 hours per week of free kindergarten from January 2024 for all 4-year-old Queensland children. This will reduce cost-of-living pressures for families, support labour market participation and improve educational outcomes.

The government is continuing to support improved social and affordable housing outcomes across Queensland, including through its $2 billion Housing Investment Fund. The Budget includes substantial tax concessions for eligible Build to Rent developments that provide affordable dwellings at discounted rents.

Over the medium term, increasing labour force flexibility, skills and participation, and other actions to enhance the competitiveness and productivity of the state's businesses, will help reduce supply side constraints and dampen pressure on prices and cost of living.

The Big Build – infrastructure for a growing state

As Queensland continues to grow and diversify, continued investment in infrastructure will support productivity growth and enhanced standards of living.

The record capital program of $88.729 billion over the 4 years to 2026–27, directly supporting around 58,000 jobs in 2023–24, will provide productivity-enhancing infrastructure across all regions of the state that will improve the competitiveness of Queensland's traditional industries and support growth in new and emerging sectors.

It will also provide the critical social infrastructure needed to support essential health and other services to meet the needs of a growing population.

Infrastructure delivered through the capital program will better connect communities across the state and strengthen their resilience in the face of future global challenges and natural disasters.

It will support job creation and attract people, skills and private investment to the regions, as well as improve overall liveability.

Delivering better services

The 2023–24 Budget continues to leverage off the significant investments made to date to deliver better services to Queenslanders.

Ongoing investment in essential services, including health, housing, education, justice, safety and social services, will continue delivering enduring social and economic benefits. These services support increased economic participation and improve the wellbeing of Queenslanders.

This Budget includes $25.791 billion in total health funding and $21.104 billion in total education and training funding in 2023–24, as well as significant levels of ongoing expenditure to safeguard and protect communities, improve liveability and enhance Queensland's lifestyle.

Through this targeted service delivery, the government is also directly investing in the growth and development of a healthy and skilled workforce to help drive productivity, boost real incomes and improve standards of living over the longer term.

Economic strategy – investing in Queensland's future

By addressing short-term challenges and laying a strong platform for future growth, the 2023–24 Budget is supporting delivery of the government's overarching community objectives of good jobs, better services and great lifestyle.

The 2023–24 Budget, including the record capital program, will also support the ongoing transformation of the Queensland economy, in line with the government's economic strategy focused on growing a sustainable and diversified economy that is resilient, productive, competitive and able to respond to future opportunities and challenges.

This investment will continue to create more jobs in more industries by leveraging Queensland's strengths, growing its traditional and emerging industries, expanding supply chains, and seizing opportunities in the lead up to the Brisbane 2032 Olympic and Paralympic Games and beyond.

Key initiatives and investments outlined in the 2023–24 Budget will help enable Queensland businesses, industries and communities to capitalise on these opportunities and drive future growth across all regions of the state. As well as the initiatives outlined above, this includes more than $1.2 billion in skills and training initiatives in 2023–24, $520 million over the period 2023–24 to 2029–30 for investments through the Low Emissions Investment Partnerships program, and $16.3 million over 4 years for a package of measures to support women's economic security. As part of the government's capital program, $19 billion is being invested over the forward estimates to deliver on the *Queensland Energy and Jobs Plan* and provide clean, reliable and affordable power for generations.

Economic outlook

Following strong growth of 4.4 per cent in 2021–22, the Queensland economy is now forecast to grow a further 2 per cent in 2022–23 and strengthen to 3 per cent growth in 2023–24. The economic growth profile reflects temporary domestic and international supply constraints, which have negatively impacted private investment, especially housing construction, and the overseas trade sector in 2022–23, and their subsequent unwinding.

Interest rates also continue to filter through to borrowers and household spending growth is expected to slow materially over the coming year.

With high rates of capacity utilisation and a solid pipeline of non-dwelling construction projects, overall business investment in Queensland is forecast to grow further.

While the nominal value of Queensland’s exports is expected to grow to a record of almost $140 billion in 2022–23, driven largely by exceptionally high global coal prices, commodity prices are forecast to normalise as supply issues abate.

In real terms, the overseas trade sector is forecast to make a one percentage point contribution to economic growth in 2023–24. The trade sector is then expected to largely return to balance in 2024–25 and make a neutral contribution to growth, as services export growth moderates.

Queensland’s labour market is expected to remain exceptionally strong and tight, with the unemployment rate the lowest it has been in decades, the job vacancy rate near its historic high and the employment-to-population ratio at its highest level since the mining boom.

Following the strongest growth in 17 years, Queensland’s employment growth is expected to ease to 3¼ per cent in 2022–23 and one per cent in 2023–24 as growth in domestic demand moderates. The unemployment rate is forecast to edge higher, but stay low by historical standards, to 4¼ per cent in 2023–24 and 4½ per cent in 2024–25.

Inflation is forecast to moderate to 3¾ per cent in 2023–24 and to 3 per cent in 2024–25.

Queensland’s population growth is forecast to increase to 2 per cent in 2022–23, reflecting a pickup in overseas migration. However, with interstate migration forecast to stabilise at pre-pandemic levels, population growth is forecast to ease back to 1½ per cent by 2024–25.

Risks to the outlook however remain skewed to the downside, with inflation and monetary policy responses among major central banks the biggest risks to the global outlook.

Overview Table 1 Queensland economic forecasts/projections[1]

	Actuals	Forecasts			Projections	
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
Gross state product[2]	**4.4**	**2**	**3**	**3**	**2¾**	**2¾**
Employment	5.1	3¼	1	1½	1¾	1¾
Unemployment rate[3]	4.5	3¾	4¼	4½	4½	4¾
Inflation[4]	5.4	7¼	3¾	3	2½	2½
Wage Price Index	2.5	3¾	4	3½	3½	3½
Population	1.6	2	1¾	1½	1½	1½

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. Chain volume measure (CVM), 2020–21 reference year.
3. Per cent, year-average.
4. Brisbane, per cent, year-average.

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

Fiscal outlook

Since the 2021–22 Budget, the government has committed to medium-term fiscal goals for the restoration of fiscal buffers impacted by the COVID-19 pandemic. This strategy has prepared Queensland to be able to meet contemporary and upcoming challenges.

Exceptionally high coal prices and the strength of the Queensland economy has resulted in higher than previously expected state revenues in 2022–23.

General Government Sector revenue is estimated to total $87.623 billion in 2022–23, up $13.437 billion (18.1 per cent) compared with 2021–22 and $13.736 billion (18.6 per cent) higher than estimated in the 2022–23 Queensland Budget.

This significant upward revision in expected revenue in 2022–23 is largely driven by the exceptionally high coal prices that have continued to be received by Queensland's coal producers, as well as the state's strong labour market performance.

However, the substantial increase in royalties, is only temporary and not expected to be repeated over the forward estimates. As such, revenue is expected to decline sharply in 2023–24, by 6.3 per cent, as the temporary surge in coal and other commodity prices unwinds and continues to normalise.

Beyond 2023–24, revenue is expected to begin to stabilise (growing by less than 0.1 per cent) in 2024–25. Following this period of adjustment, revenue is expected to grow modestly in 2025–26 (by 0.9 per cent) and 2026–27 (by 3.3 per cent).

Given revenues are expected to moderate substantially as commodity prices normalise over the forward estimates, government has carefully planned its budgetary commitments.

The 2023–24 Budget achieves the right balance. Effective responses to immediate challenges will relieve cost-of-living pressures, strengthen the health system, and see more investment in social and affordable housing and youth services.

In parallel, government's careful management of recent extraordinary revenue performance and disciplined control of spending supports positive progress towards fiscal recovery, a lower reliance on borrowings, and creates capacity for additional public infrastructure investment.

The General Government Sector net operating surplus in 2022–23 of $12.305 billion supports a reduction in the 2022–23 borrowing requirement and creates capacity for the transformative capital program while maintaining debt at sustainable levels.

A manageable deficit of $2.182 billion in 2023–24 reflects commitments to priority areas, including temporary funding to relieve cost-of-living pressures.

Going forward, wages growth alongside easing inflation are expected to see cost-of-living pressures ease. As the one-off measures in the 2023–24 Budget fall away and royalty revenue normalises across the forward estimates period, a return to operating surplus is expected.

The government's expanded program of public infrastructure investment of $88.729 billion over 4 years to 2026–27 will underpin ongoing job creation in existing and emerging sectors and maintain a strong and diverse economy into the future. Key elements include delivering increased health system capacity, decarbonisation of the state's energy system, improved water security and preparing for the Brisbane 2032 Olympic and Paralympic Games.

Over successive budgets, the government has worked to limit the legacy impacts of the COVID-19 crisis on borrowings and fiscal sustainability.

In 2022–23 net debt will comprise just 7 per cent of revenue. Total General Government Sector borrowings are expected to be $8.745 billion lower at 30 June 2024 than forecast in the 2022–23 Budget and remain $2.158 billion lower by 30 June 2026.

Overview Table 2 Key fiscal aggregates[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Revenue	74,185	73,886	87,623	82,079	82,102	82,858	85,591
Expenses	69,889	74,915	75,317	84,261	81,967	82,653	85,214
Net operating balance	4,296	(1,029)	12,305	(2,182)	135	206	377
PNFA[2]	7,889	8,478	9,194	9,347	11,473	11,417	11,389
Fiscal balance	(71)	(5,635)	6,786	(6,716)	(7,265)	(5,977)	(5,301)
Borrowing[3]	56,764	66,459	54,693	65,479	76,040	85,127	94,814
Net debt	10,997	19,772	5,852	16,190	28,074	37,648	46,934

Notes:
1. Numbers may not add due to rounding.
2. PNFA: Purchases of non-financial assets.
3. Comprised of borrowing with QTC, leases and similar arrangements and securities and derivatives.

1 Budget priorities and economic strategy

Features

- Leveraging Queensland's strong economic performance, the 2023–24 Queensland Budget is responding to the challenges facing Queenslanders, including cost-of-living pressures and housing affordability. The Budget is also investing substantially in healthcare and infrastructure across all regions to position Queensland on a clear path towards longer-term growth and prosperity.
- The historic surplus in 2022–23, driven by strong royalties growth due to the high coal prices received by the state's coal producers, is providing capacity to deliver substantial cost-of-living support to Queensland families and businesses, while also funding a significant increase in the capital program to grow the economy.
- The Budget provides a record $8.224 billion in concessions in 2023–24, an increase of over 21 per cent compared to 2022–23. The Budget is delivering $1.483 billion for additional electricity bill support to households and small businesses facing cost-of-living pressures.
- This Budget provides $645 million over 4 years from 2023–24 to provide 15 hours per week of free kindergarten from January 2024 for all 4-year-old Queensland children. On average, a family attending a sessional kindy for 15 hours per week that charges $46 per day will save $4,600 a year in fees. This will not only reduce cost-of-living pressures for families but will also support labour market participation and improve educational outcomes.
- The 2023–24 Queensland Budget is providing increased funding of $1.1 billion for the delivery and supply of social housing across Queensland through the *Housing and Homelessness Action Plan (2021–2025)*, including to meet higher construction costs and to boost the QuickStarts Queensland program target by 500 homes, bringing it to 3,265 social housing commencements by 30 June 2025.
- This brings the total investment to $5 billion for delivery of social and affordable housing, and housing and homelessness support, including $3 billion funding to support the *Housing and Homelessness Action Plan 2021–2025* and $2 billion investment for the Housing Investment Fund.
- The Budget includes substantial tax concessions for eligible Build to Rent developments that provide affordable dwellings at discounted rents.
- To drive greater gender equality and deliver a fairer, more inclusive and prosperous society, the Budget allocates a $16.3 million package of targeted measures to support women's economic security and improve women's economic outcomes.

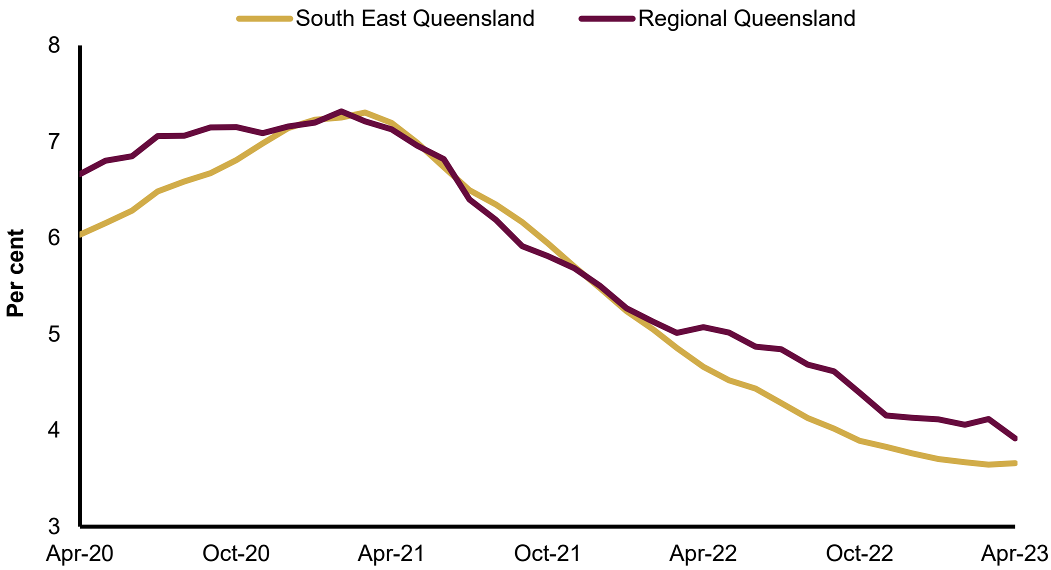
- Capacity constraints in recent years, including materials and labour supply shortages, have contributed to higher inflation, increasing the cost of living. Increasing labour force responsiveness, skills and participation, and other actions to enhance the competitiveness and productivity of the state's businesses, will help reduce these supply side constraints and dampen pressure on prices and cost of living over the medium term.
- The record capital program of $89 billion over the 4 years to 2026–27 will provide the infrastructure to enhance productivity and the competitiveness of Queensland's traditional industries, support growth in new and emerging sectors and provide the essential health and other services needed to meet the needs of a growing population.
- In 2023–24, the government will invest $20.321 billion in capital, directly supporting around 58,000 jobs. $13.308 billion of this capital program will be invested outside of the Greater Brisbane region, supporting around 38,500 jobs.
- The government is continuing to invest in the growth and development of a healthy and skilled workforce to help drive productivity, boost real incomes and improve standards of living. The Budget includes $25.791 billion in total health funding and $21.104 billion in total education and training funding in 2023–24, as well as significant levels of ongoing expenditure to safeguard and protect communities, improve liveability and enhance Queensland's lifestyle.
- This Budget also backs the state's ongoing decarbonisation agenda through funding of $520 million, over the period 2023–24 to 2029–30, to deliver the Low Emissions Investment Partnerships program, which will encourage the mining industry to fast-track capital investments that will both rapidly reduce its emissions profile and help maintain a competitive edge for the industry.
- By addressing short-term challenges and laying a strong platform for future growth, the Budget is supporting delivery of the government's overarching community objectives of good jobs, better services, and great lifestyle, including delivering on the government's economic strategy to create more jobs in more industries.

1.1 Building on strong foundations

The government's nation-leading response to the COVID-19 pandemic protected and maintained the health and wellbeing of Queenslanders. This set the platform for the state's remarkable economic recovery, which has seen Queensland continue to record a stronger rate of jobs growth than the rest of the nation since pre-COVID-19, with trend employment up 8.8 per cent (or 226,300 persons) since March 2020, compared with 6.5 per cent growth in the rest of Australia.

Strong employment outcomes have been widespread across the state, with unemployment rates declining across both South East Queensland and regional Queensland (see Chart 1.1).

Chart 1.1 – Unemployment rates, South East and Regional Queensland



Source: ABS, Labour Force, Australia, Detailed

The average unemployment rate across regional Queensland fell 1.2 percentage points to 3.9 per cent in the year to April 2023, to be the lowest unemployment rate recorded in regional Queensland since May 2008. Cairns (3.8 per cent), Townsville (2.3 per cent) and Wide Bay (5.6 per cent) all recorded among the lowest unemployment rates in more than a decade in April 2023.

In addition to the strength of Queensland's domestic economy and contributing to the state's strong labour market performance, Queensland exporters, in particular the state's coal producers, have been buoyed by a sustained period of exceptionally high global commodity prices.

Over the 2 years since mid-2021, Queensland coal producers have enjoyed unprecedented benefits from the surge in global coal prices, resulting in the value of Queensland coal exports reaching a calendar year record of $83.5 billion in 2022, more than double the value in 2021 and triple the value in 2020.

Importantly, these record coal export revenues have contributed to the strong financial performance of coal mining companies, with many reporting record revenues and profits in 2022.

This performance highlights the important role that Queensland's traditional industries, such as mining, agriculture, and tourism, will continue to play alongside new and emerging growth sectors and the ongoing transformation to a low-carbon global economy.

Given the majority of Queensland's coal exports are metallurgical coal, international demand should continue to support Queensland's coal exports over coming decades.

As outlined in Queensland Treasury's report, *Queensland's Coal Industry and Long-Term Global Coal Demand*, published in November 2022, Queensland continues to offer an attractive environment for investment in coal, reflecting its numerous competitive advantages.

This includes its high-quality hard coking coal, proximity to the fast-growing Asian region, efficient supply chain, well-established infrastructure and skilled workforce.

In the context of unprecedented global coal prices, the new coal royalty tiers announced by the Queensland Government in the 2022–23 Budget mean Queenslanders are getting a fair return for the state's valuable and limited resources in a period when coal companies are generating extraordinary revenues and profits.

Driven by the strong growth in coal royalties, the historic surplus expected in 2022–23 is helping to create fiscal capacity for the productivity-enhancing infrastructure needed to facilitate Queensland's economic and energy transformation, including through the government's record 4-year capital program of $88.729 billion.

By allowing the Budget to accommodate a much higher capital program, while keeping borrowings close to or less than the 2022–23 Budget estimate, the surge in coal royalties will enable the provision of the critical infrastructure needed to drive productivity and competitiveness for businesses and industry across the state.

The increase in coal royalties is also creating fiscal capacity for the government to address the more immediate challenges facing Queenslanders, including delivering substantial cost-of-living support to Queensland families and businesses, especially in 2023–24, in recognition of inflation growing much faster than wages the previous year.

A strong health system supports a healthy and productive population. It supports increased workforce participation and contributes to improvements in labour productivity over the longer term. As Queensland's strong economic recovery from the COVID-19 pandemic demonstrates, the state's economic success is dependent upon the health and wellbeing of Queenslanders.

By investing significantly in health services across the state, the government is protecting and enhancing the wellbeing of Queenslanders and strengthening the resilience and liveability of communities throughout the state's regions.

As Queensland continues to grow and transform, the government is also taking targeted action to help ease current pressures in the state's housing market, including supporting the supply of additional housing and rental stock. Investments to support the delivery of more social and affordable housing for Queenslanders will improve standards of living across communities and provide lasting benefits for the state's economy. Access to more affordable housing also supports positive employment outcomes, greater labour mobility and helps attract a skilled workforce and new investment opportunities.

The critical support being provided to Queensland families, communities, and small businesses in the Budget will help ensure all Queenslanders continue to enjoy an enviable lifestyle and improved standards of living.

1.2 Tackling the cost of living

Cost-of-living pressures are currently being felt right across the country. Queensland's households, businesses and industry are continuing to face these challenges, including higher interest rates, increasing electricity costs and higher costs of goods and services.

Box 1.1 Cost-of-living relief for Queenslanders

The Queensland Government recognises the challenges Queenslanders are currently facing in terms of cost-of-living pressures.

In the 2023–24 Queensland Budget, the government is providing a record $8.224 billion in concessions to Queensland families and businesses, an increase of more than 21 per cent compared with 2022–23.

The government is providing $1.617 billion in 2023–24 in the Budget towards new and expanded cost-of-living measures that will help address these challenges.

Electricity rebates

The 2023–24 Budget delivers $1.483 billion for additional electricity bill support to households and small businesses facing cost-of-living pressures. This is the most significant electricity bill support package announced by any state or territory, more than doubling the size of the federally agreed support package for Queensland under the National Energy Bill Relief Fund.

As part of this package, all Queensland households will automatically receive a $550 Cost of Living Rebate on their electricity bill in 2023–24, while around 600,000 vulnerable households will benefit from a higher $700 Cost of Living Rebate.

In addition, vulnerable households will continue to receive the existing $372 rebate under the Queensland Electricity Rebate Scheme, bringing total support for this group to $1,072 in 2023–24.

The government's substantial cost-of-living relief package will more than offset typical household electricity bill increases in 2023–24. In some cases, households will have zero bills or be in credit in 2023–24.

Eligible small businesses in Queensland will also receive an automatic rebate of $650 on their electricity bill in 2023–24. This includes around 205,000 Queensland small businesses that consume less than 100,000 kilowatt hours per annum.

Free kindy and FairPlay vouchers

The government will also provide 15 hours per week of free kindergarten from January 2024 for all 4-year-old Queensland children to further relieve cost-of-living pressures, improve access to early childhood education, and support economic participation across the state.

Eligibility for FairPlay vouchers will also be extended to more Queensland families to give more children aged 0-4 access to free swimming lessons.

Other cost-of-living support

The Budget also includes a range of other targeted measures that will reduce costs for Queenslanders.

Changes to licence fees will see Queensland's learner licence fees reduced from $186.55 to $75, while the fee for replacement Queensland driver licences, photo identification cards and industry authority cards will be reduced to $35.

Access to essential health services will be enhanced through increased funding for the Patient Travel Subsidy Scheme, while other measures will provide direct support for the state's vulnerable families and children, including through the free school breakfast and critical food relief programs.

Details of the key new and expanded cost-of-living measures in 2023–24 are outlined below.

Table 1.1 – Cost-of-living relief measures

Measure	Description	2023–24 ($ million)
Electricity Bill Support	Cost of Living Rebates for Queensland households and small businesses and other household energy initiatives.	1,483
Free Kindergarten	15 hours per week of free kindergarten from January 2024 for all 4-year-old Queensland children.	101.62
Patient Travel Subsidy Scheme	Increased funding to enhance access to essential health services.	14.18
FairPlay Vouchers	Extend availability to eligible children aged 0-4 years for swimming lessons.	2.38
Electricity Life Support Scheme	Expanded eligibility to allow more Queenslanders to access electricity rebates for life support equipment.	0.21
School Breakfast Programs	Extend and expand the programs delivered by non-government organisations across Queensland.	1.20
Critical Food Relief	Funding to help deliver critical food relief to vulnerable families and children.	0.32
Reducing Learner Licence Fees	Reducing Queensland's learner licence fees from $186.55 to $75.	9.38
Replacement Smartcard Product Fee Changes	Reducing the replacement fees for Queensland driver licences, photo identification cards, and industry authority cards to $35.	5.29
Total		**1,617**

A range of other existing government concessions have also been increased or expanded to help further address cost-of-living pressures for Queenslanders. Refer to Appendix A for further details on the Queensland Government's $8.224 billion in concessions.

In addition to providing immediate cost-of-living relief, the Queensland Government is focused on supporting economic growth through enablers and settings that will improve Queensland's productivity and deliver sustained increases in real wages.

This will ease cost-of-living pressures over the longer term and support improved standards of living for all Queenslanders.

Box 1.2 More affordable housing

Like many places in Australia and overseas, Queensland's housing system is experiencing significant pressures.

Reflecting its desirability as a great place to live, historically high levels of net interstate migration over 2021–22, followed by a recovery in net overseas migration over 2022–23, have both contributed to strong population growth in Queensland.

Other factors that have impacted Queensland's property market include: materials and skills shortages in the construction industry; long-term demographic trends such as the move towards smaller household sizes; working from home increasing demand for more space in different locations; and the impact of the 2022 Queensland floods.

In particular, material and labour supply shortages, weather disruptions, and several construction company insolvencies have constrained Queensland's residential construction activity, slowing the supply of new dwelling stock.

Average household size has also been declining due to both short- and long-term factors. Small changes in household size have large impacts — for each 0.01 fall in persons per household, around 8,500 additional dwellings are required.

Broader housing market conditions have tended to have the most significant impacts on the rental market. During the pandemic, the rental stock in Queensland declined significantly, partly due to the sale of properties to owner-occupiers. This drove rental vacancy rates to record lows and sharp rent increases across many Queensland regions, with a similar phenomenon apparent nationally.

The combined effect of these factors is that housing supply has not kept up with increased demand. In recognising these challenges, on 20 October 2022, the government held the Queensland Housing Summit to address the state's housing challenges and enhance supply, lift the responsiveness of the housing market and protect those who are most vulnerable.

The Queensland Government has a clear objective: that every Queenslander should have access to a safe, secure, and affordable home that meets their needs and enables participation in the social and economic life of this prosperous state.

To meet this objective, the government is implementing the *Queensland Housing Strategy 2017–2027*, delivered through the *Housing and Homelessness Action Plan 2021–2025* and *Aboriginal and Torres Strait Islander Housing Action Plan 2019–2023*. The government has also boosted the Queensland Government's flagship Housing Investment Fund (HIF) to $2 billion, first announced under the Action Plan, with $130 million now available per annum to support an increased target of 5,600 new social and affordable housing commencements by 30 June 2027. In 2023, the first HIF supported tenancies became active, with further units currently under construction.

The government also continues to commit significant additional investment towards social and affordable housing projects, crisis accommodation and supports, as well as services to address homelessness.

The 2023–24 Queensland Budget is providing increased funding of $1.1 billion for the delivery and supply of social housing across Queensland through the *Housing and Homelessness Action Plan (2021–2025),* including to meet higher construction costs and to boost the QuickStarts Queensland program target by 500 homes, bringing it to 3,265 social housing commencements by 30 June 2025.

Further to this, over $250 million has been committed to housing and homelessness support services since the 2022–23 Budget. This includes over $100 million provided throughout the last 12 months, as well as an additional $150 million committed in the Budget.

Key initiatives supported in the Budget include $51.3 million for the second *Aboriginal and Torres Strait Islander Housing and Homelessness Action Plan*, $61.9 million (out of a total $64.3 million) for emergency supported accommodation, and $18.1 million to enhance and expand youth housing and homelessness services.

The government is also offering tax concessions for eligible Build to Rent developments that provide at least 10 per cent of dwellings at discounted rents, thereby supporting the construction of additional rental housing and delivering more affordable housing for more Queenslanders.

Planning changes were also announced to support housing supply and delivery, including amending planning rules to allow secondary dwellings, such as granny flats, to be rented on the open market, while increases in rents have been limited to only once a year.

Further investment is being made to unlock land for housing through delivery of essential infrastructure within areas experiencing significant growth through initiatives such as the $171.2 million Catalyst Infrastructure Fund and the $50 million Growth Acceleration Fund.

1.3 Investing in Queensland's future to create more jobs in more industries

While the 2023–24 Queensland Budget is providing significant targeted support to address immediate cost-of-living challenges, it simultaneously maintains a strong focus on investing to facilitate future economic growth and longer-term prosperity across the state.

1.3.1 Securing Queensland's path to a prosperous future

The Queensland economy is continuing to transform in response to global trends and in the context of an uncertain global economic and socio-political outlook.

Against this backdrop, the government's economic strategy is focused on growing a sustainable and diversified economy that is resilient, productive, competitive and able to respond to future opportunities and challenges.

The economic strategy will create more jobs by leveraging Queensland's strengths and growing its traditional and emerging industries, expanding supply chains and seizing opportunities in the lead up to the Brisbane 2032 Olympic and Paralympic Games and beyond.

Key enablers to capitalise on these opportunities and drive future growth include: a larger, more skilled workforce; targeted infrastructure investment; a competitive investment environment; expanded trade networks; increased innovation and digitalisation; and strong Environmental, Social and Governance (ESG) credentials.

Queensland's economic strategy

Opportunities

- New energy
- Critical minerals
- Traditional industries and value add
- Services sector
- Strategic supply chains
- Brisbane 2032 Olympic and Paralympic Games

Enablers

- Trade
- Skilled workforce
- Innovation
- Public and private infrastructure
- Digitalisation and technology
- Environmental, Social and Governance credentials
- Competitive investment environment

1.3.2 The Big Build – infrastructure for a growing state

As Queensland continues to grow and diversify, continued investment in the right infrastructure is vital to ensure the resilience and prosperity of the state and to support productivity growth and standards of living.

The record $88.729 billion capital program to be delivered across the state over the next 4 years will help provide the critical economic and social infrastructure to futureproof Queensland's cities and regions. This infrastructure will better connect communities across the state and strengthen their resilience in the face of future global challenges and natural disasters. It will support job creation and attract people, skills and private investment to the regions and improve overall liveability.

This includes $20.321 billion in 2023–24, directly supporting around 58,000 jobs during construction, including 38,500 jobs outside Greater Brisbane. Many more jobs will be supported by the economic activity and connectivity generated by this investment, particularly across regional Queensland.

The government is taking a long view with its significant program of public infrastructure investment that will deliver better health and transport facilities and services, decarbonise the state's energy system, improve water security, and prepare for the Brisbane 2032 Olympic and Paralympic Games.

To ensure Queenslanders have access to world-class health services, the government is investing $9.785 billion over 6 years to build new or expand existing hospitals across the state, as part of the *Health and Hospitals Plan*, including in Cairns, Townsville, Mackay, Bundaberg, Hervey Bay, Toowoomba and South East Queensland. The 2023–24 Queensland Budget provides further investment in health infrastructure, including $150 million over 4 years to fund a new mental health facility at Redland Hospital.

The Budget is also keeping Queenslanders connected through a $6.9 billion investment in 2023–24 to provide integrated, safe and efficient transport infrastructure. Investments include the ongoing Bruce Highway Upgrade Program, the Queensland Train Manufacturing Program and Gold Coast Light Rail (Stage 3).

The Budget is also delivering new and ongoing projects that will support the long-term transformation of the Queensland economy. This includes delivering critical infrastructure to facilitate the development of emerging industries, while continuing to support the traditional sectors that will remain an important source of income and economic growth well into the future.

To drive Queensland's competitiveness in the decades ahead, the *Queensland Energy and Jobs Plan* (QEJP) will provide clean, reliable and affordable power for generations. Queensland's publicly owned energy businesses are leading the state's energy transformation, investing in new wind, solar, storage and transmission infrastructure to deliver the QEJP and achieve renewable energy targets of 50 per cent renewables by 2030, 70 per cent by 2032 and 80 per cent by 2035.

The 2023–24 Budget includes a landmark capital investment of around $19 billion over the forward estimates to deliver on the QEJP. This includes up to 7 GW of large-scale, long duration pumped hydro, CopperString 2032 to connect the North West Minerals Province to the national electricity grid, and a strong pipeline of renewable energy and storage projects.

The Queensland resources industry, a traditional driver of investment, economic growth and jobs across the state, is also undergoing transformation. The *Queensland Resources Industry Development Plan*, with committed funding of $68.5 million over 5 years, sets out a 30-year vision to help guide the ongoing transformation and diversification of the state's resources industry.

The Budget is providing additional funding of $21 million over 2 years to implement the Frontier Gas Exploration grants program to help unlock significant gas resources in the Bowen and Galilee basins.

With its abundance of valuable natural resources, Queensland is well placed to sustainably mine, process, manufacture and supply the critical minerals required around the world to achieve global emissions reduction targets.

Reflecting this, the government's $5 billion investment in CopperString 2032, a 1,100 kilometre transmission line from Townsville to Mount Isa, will provide energy certainty to the North West Minerals Province and deliver reliable, affordable and renewable power to the people, businesses and communities in the region.

Acknowledging the ongoing importance of the state's mining industry as a driver of future growth opportunities, the Budget also allocates $520 million over the period 2023–24 to 2029–30 for investments through the Low Emissions Investment Partnerships program. The program will encourage the mining industry to fast-track capital investments that will both rapidly reduce its emissions profile and help maintain a competitive edge for the industry.

A significant capital program is planned by the Public Non-financial Corporations water sector over the 4 years to 2026–27, focused on delivering additional water supply and fortifying the flood resilience of water infrastructure. A major driver of this is Seqwater, Sunwater and Gladstone Area Water Board's respective Dam Improvement Programs, which aim to ensure the safety and reliability of state-owned dams so they continue to operate safely during extreme weather events.

1.3.3 Building a skilled workforce

Queensland's ability to transition to a low carbon and more diversified economy will be underpinned by the resilience, dynamism and responsiveness of the state's labour force. Investing in skills is a key driver for addressing current capacity constraints in the labour market, while also realising sustained improvements in productivity growth in the longer term. In turn, this supports the increased resilience and competitiveness of the state's businesses and industries.

The *Good People. Good jobs: Queensland Workforce Strategy 2022–2032* will deliver practical and innovative solutions that will ensure the state has an agile workforce ready to support growth, strengthen local communities and capitalise on economic opportunities. The government's significant investment in skills and training (more than $1.2 billion in skills and training initiatives in 2023–24) is supporting broader workforce development, while also helping Queenslanders overcome barriers to employment.

Further, reflecting the government's commitment to improving women's economic outcomes, the 2023–24 Queensland Budget allocates $16.3 million over 4 years for a package of measures to support women's economic security. These include targeted grants programs and tailored support, training and mentoring services to support women's participation in male-dominated industries, enhance retention of female apprentices in trades and support women in business and innovation and disadvantaged and vulnerable women.

Box 1.3 Productivity

Productivity is essential to secure a sustained improvement in the living standards of all Queenslanders. Over the last 3 decades, labour productivity growth has been responsible for around 80 per cent of per capita income growth in Queensland.

Productivity growth can also play a key role in addressing cost-of-living challenges, including by: raising economic capacity and reducing prices; enhancing housing supply and reducing pressure on building costs and housing affordability; and helping make Queensland's industries more competitive, thereby supporting the ongoing transition of the economy.

The Queensland Government continues to make substantial investments to develop a more highly-skilled and dynamic workforce and provide the critical infrastructure to drive productivity growth, ultimately delivering higher real incomes and prosperity for Queenslanders.

A healthy, productive and agile workforce is essential to capitalise on global opportunities, attract high-class industries and businesses, and attract global investment into industries that leverage the state's valuable natural endowments like critical minerals, energy, agriculture and tourism.

The government continues to deliver high quality training and employment pathways, and provide ongoing investment in Queensland's flagship employment programs, such as Skilling Queenslanders for Work and Back to Work.

Since 2015, Skilling Queenslanders for Work has provided training to 76,000 persons, which has helped 49,000 persons secure a job, while Back to Work has helped 28,000 unemployed job seekers gain full-time employment since 2016.

The government is also providing more than $70 million for new initiatives included in the 2022–2025 Action Plan as part of the *Good People. Good Jobs: Queensland Workforce Strategy 2022–2032* to further grow the skilled workforce to meet industry needs.

The 2023–24 Queensland Budget invests a record $88.729 billion over 4 years through the state's capital program, to enable the state's ongoing energy transformation, improve connectivity and help workers participate in a growing economy.

The government's strong focus on productivity, including through regulatory reform and reducing costs for business, will be critical in enhancing the competitiveness of Queensland industries as they compete on the global stage. This will enable Queensland workers to access more employment opportunities and achieve higher incomes, and also ensure Queensland businesses can continue to grow, invest, innovate and export.

1.3.4 Facilitating a competitive investment and trade environment

As the Queensland economy continues to grow and diversify, the state's traditional industries, including mining, agriculture and tourism, will continue driving ongoing economic activity and support future job opportunities across the state.

It is therefore critical that these traditional industries are positioned to remain domestically and globally competitive into the future.

In May 2023, the Queensland Government published the *Queensland New-Industry Development Strategy* which enhances the focus on renewable energy manufacturing and infrastructure development, critical mineral processing, manufacturing and product development, battery industry development, green hydrogen, the circular economy and the bioeconomy. These industry sectors are expected to play increasingly significant roles in the Queensland economy in the decades ahead.

Facilitating increased levels of activity across the economy, particularly in trade-exposed industries, including attracting new businesses and industries to Queensland, relies on a dynamic investment environment that is domestically and globally competitive.

The government is committed to removing barriers to investment and growth, and working with industries and businesses to unlock opportunities for the state's workforce, enhance trade opportunities and networks and drive sustainable economic growth.

To achieve these outcomes, the Queensland Government has established specific industry attraction and investment programs, such as the $520 million Invested in Queensland program, which is part of the flagship $5.84 billion Queensland Jobs Fund, the $100 million Queensland Critical Minerals and Battery Technology Fund and the $200 million Attracting Aviation Investment Fund. The Queensland Government is partnering with industry and the private sector to ensure the state's traditional industries remain globally competitive while helping grow the emerging industries that will play a critical role in the state's economy in the future.

To further support businesses and industries right across the state, Queensland also continues to deliver a highly-competitive tax regime to support business and help attract investment into the economy. Reflecting this, the government is extending the one per cent payroll tax rate discount for regional employers to 30 June 2030 and has extended the 50 per cent payroll tax rebate for apprentices and trainees for a further 12 months until 30 June 2024.

The ability to continually innovate is important to drive sustained improvements in productivity and competitiveness through the creation and diffusion of ideas, technologies and practices. The government's innovation agenda has been underpinned by its flagship Advance Queensland initiative, which has helped leverage over $1 billion from industry partners and supported more than 28,000 good jobs across the state, including over 11,200 in the regions.

Building off that success, the government last year released the $142 million *Advance Queensland – Innovation for a Future Economy 2022–2032 Roadmap*, which sets out the direction, priorities and initiatives to establish Queensland as a world-class innovation economy.

This year, the government also released the *Our Thriving Digital Future: Queensland's Digital Economy Strategy*, which includes investment of $200 million over the next 3 years to grow the state's digital economy and improve digital connectivity throughout Queensland.

As an open and diversified economy, Queensland relies on international trade as a driver of economic activity. In 2021–22, overseas exports were valued at $130 billion, accounting for 29 per cent of nominal GSP, while about 1 in 5 jobs is supported directly or indirectly by exports.

The record level of exports was driven by a $47 billion increase in the value of coal exports (due to high prices), worth $72 billion in 2021–22. The vast majority of Queensland's coal exports are metallurgical coal, primarily used for making steel.

Other resources exports experienced strong growth due to high prices in 2021–22, with LNG exports doubling to just under $20 billion and metals exports rising $1 billion to $12 billion. Queensland also has a large agricultural export industry, worth $14 billion in 2021–22. Key agricultural exports include beef, sugar, cotton, wheat and grain sorghum.

The $150 million *Queensland Trade and Investment Strategy 2022–2032* is positioning the state to help trade-orientated businesses adapt, thrive and grow, including targeted actions and initiatives to leverage international opportunities, drive diversity and value, create more jobs across traditional and priority industries, and champion enduring worldwide success.

The government has also released the *Queensland International Education and Training Strategy 2022–2027*, a 5-year, $20.6 million strategy to support growth in education and training exports.

The Queensland Government also recognises that establishing and maintaining strong ESG credentials is central to achieving sustainable development outcomes and driving future competitiveness for businesses and industries throughout the Queensland economy. The government's sustainability agenda, including key risks and the government's sustainability priorities, is outlined in detail in Box 3.2 in Chapter 3.

1.4 Delivering better services

The government's significant ongoing investment in essential services, including health, education, justice, safety and social services, lies at the forefront of driving enduring social and economic outcomes. These services directly support improved living standards, participation in the economy, and increase the prosperity and wellbeing of all Queenslanders.

The 2023–24 Queensland Budget continues to leverage off the significant investments and commitments made to date to deliver better services to the people of Queensland in line with the government's community objectives.

Providing access to first-class healthcare is critical to ensure the overall wellbeing and prosperity of Queenslanders is maintained, both now and into future, including in the face of a growing, ageing and increasingly diverse population. The 2022–23 Budget injected $1.645 billion over 5 years into mental health services. As well as improving the quality of life of Queenslanders, this will support increased participation in the economy and the community.

The 2023–24 Queensland Budget includes a Queensland Health total operating budget of $24.153 billion, including an uplift of $2.888 billion in additional operational growth funding over 5 years from 2022–23 to meet demand and cost pressures. This uplift will also support significant actions across the health system targeting improving ambulance responsiveness and reduce ramping, addressing pressures on emergency departments, reducing wait times for surgery and specialist clinics, as well as boosting women's health care and mental health care.

Access to a quality education and training is the cornerstone of ensuring Queenslanders are equipped with the future knowledge and skills they need to meaningfully engage and participate in the state's economy as it continues to grow and diversify. Reflecting this, the government continues to invest in the provision of inclusive and high-quality education and training services and facilities across Queensland, with total funding of $21.104 billion for education and training in 2023–24.

The Queensland Government is also committed to supporting vulnerable Queenslanders and ensuring the state's communities are kept safe. Significant ongoing expenditure across key services such as police, justice (including youth), child safety, and social services, remain at the forefront of maintaining safe and secure communities.

2 Economic performance and outlook

Features

- Following strong growth of 4.4 per cent in 2021–22, the Queensland economy is forecast to grow by 2 per cent in 2022–23, with growth then strengthening to 3 per cent in 2023–24.
- After a strong rebound across 2021 and 2022, the global economy faces increased uncertainty and volatility, with risks to the outlook skewed to the downside.
- The International Monetary Fund (IMF) has downgraded its global growth outlook for 2023, reflecting the sharp interest rate rises required to curb inflation, deterioration in financial conditions, the impacts of the Russia-Ukraine conflict and rising geopolitical tensions.
- Similar to the global economy, national economic growth is expected to slow in coming years, weighed down by slowing growth in consumption, public spending and exports according to the Reserve Bank of Australia (RBA). The RBA expects national GDP growth to slow from 3.7 per cent in 2022 to 1¾ per cent in 2023 and 1½ per cent in 2024.
- In Queensland, household consumption remains elevated and will contribute solidly to GSP growth in 2022–23, but as significant increases in borrowing costs continue to filter through to household budgets, spending growth is expected to slow materially in 2023–24.
- High rates of capacity utilisation and a solid pipeline of non-dwelling construction projects are expected to see overall business investment in Queensland rise further.
- In the dwelling sector, capacity constraints continue to limit output growth in the near term, but the historically high pipeline of committed residential construction work and easing supply constraints should support a boost in dwelling investment in 2023–24.
- Largely reflecting the more subdued growth in household spending, growth in Queensland's domestic economy is expected to ease slightly from 2¾ per cent in 2022–23 to 2½ per cent in 2023–24, before strengthening to growth of 3¼ per cent in 2024–25.
- Overseas exports of goods and services are forecast to grow by 3½ per cent in 2022–23, driven by an ongoing rebound in tourism and education services exports. After detracting from GSP growth in 2022–23, an unwinding of supply constraints on goods exports and a slowing of goods imports is forecast to result in a one percentage point contribution to growth from the trade sector in 2023–24.
- With Queensland's state final demand outperforming the rest of Australia during the pandemic, demand for labour has been exceptionally strong.
- Queensland continues to record a stronger rate of jobs growth than the rest of the nation since pre-COVID-19, with trend employment up 8.8 per cent (or 226,300 persons) since March 2020, compared with 6.5 per cent growth in the rest of Australia.
- Queensland's employment growth reached 5.1 per cent in 2021–22 (equating to an extra 130,000 jobs in the year), the strongest annual growth since 2004–05. The unemployment rate fell to just 4.5 per cent in 2021–22 and measures of underemployment were also low.
- Employment growth is expected to ease to 3¼ per cent in 2022–23 but the labour market remains extremely tight, with the unemployment rate forecast to fall to 3¾ per cent.

- Consistent with the growth profile of state final demand, employment growth is expected to moderate to one per cent in 2023–24 and 1½ per cent in 2024–25. Similarly, the unemployment rate is forecast to edge slightly higher, but remain low by historical standards, to 4¼ per cent in 2023–24 and 4½ per cent in 2024–25.
- There is growing evidence that inflation in Brisbane has peaked, having slowed from 7.9 per cent in September quarter 2022 to 7.4 per cent in March quarter 2023. Inflation is forecast to moderate to 3¾ per cent in 2023–24 and 3 per cent in 2024–25.
- Queensland population growth is expected to strengthen to 2 per cent in 2022–23, due mainly to a rebound in overseas migration, before easing to 1¾ per cent in 2023–24 and 1½ per cent in 2024–25.

2.1 International conditions

The global economic outlook continues to be characterised by increased uncertainty and volatility. Developments over recent years have seen global financial markets being increasingly sensitive to both positive and negative news, which has seen sharp swings in the outlook for interest rates, amidst a period of global inflation and monetary policy tightening.

These developments have included:

- across 2021 and much of 2022, the easing of COVID-19 restrictions, strong consumer demand and restricted global supply chains helped drive a surge in inflation. This was exacerbated by the Russian invasion of Ukraine and its impacts on global energy prices and trade flows, as well as COVID-19-related lockdowns in China, which led to sharper interest rate rises and a weaker global outlook
- in late 2022, China unexpectedly unwound a range of its “Zero-COVID-19” restrictions which subsequently led to an upgrade to its growth forecasts from the IMF in January
- in early 2023, increased trade-related dialogue indicated a stabilisation in trade relations between Australia and China
- inflation in many advanced nations (including Australia) has proven more difficult to tame than previously expected. While goods inflation has eased as supply chains have recovered, second-round impacts have seen services inflation prove “sticky”
- some high profile banking failures in the United States and Switzerland has increased uncertainty around the outlook for rates, financial stability and growth.

Reflecting these factors, in its April 2023 *World Economic Outlook* (*WEO*), the IMF downgraded its forecasts for global growth in both 2023 and 2024 from forecasts made in the January 2023 *WEO Update*, noting *‘the anaemic outlook reflects the tight policy stances needed to bring down inflation, the fallout from the recent deterioration in financial conditions, the ongoing war in Ukraine, and growing geoeconomic fragmentation.’*

Beyond 2024, the IMF projects the global economy to grow by slightly above 3 per cent per annum through to 2028, *‘the lowest medium-term forecast in decades.’*

The IMF also noted *'risks to the outlook are heavily skewed to the downside, with the chances of a hard landing having risen sharply'*.

Similar to the IMF, the May 2023 issue of *Consensus Forecasts* points to a cyclical downturn among major economies in 2023 and 2024. Nevertheless, compared to the more pessimistic outlook portrayed by *Consensus Forecasts* back in late 2022, when the 2022–23 Budget Update was prepared, latest forecasts suggest that the severity of the global downturn is now less than previously expected.

Table 2.1 GDP Growth Forecasts[1]

	2022		2023		2024	2025
Publication	Dec-22	May-23	Dec-22	May-23	May-23	Apr-23[3]
United States	1.9	2.1	0.2	1.1	0.6	2.2
Euro Area	3.2	3.5	-0.1	0.7	0.9	1.5
United Kingdom	4.4	4.1	-1.0	-0.1	0.8	1.5
China	3.1	3.0	4.5	5.8	4.9	4.6
India[2]	7.0	6.9	5.7	5.8	6.3	6.4
Japan	1.5	1.0	1.3	1.0	1.1	1.0
Korea	2.6	2.6	1.3	1.1	2.1	2.3
MTP[4]	3.7	3.6	3.1	3.4	3.6	3.6

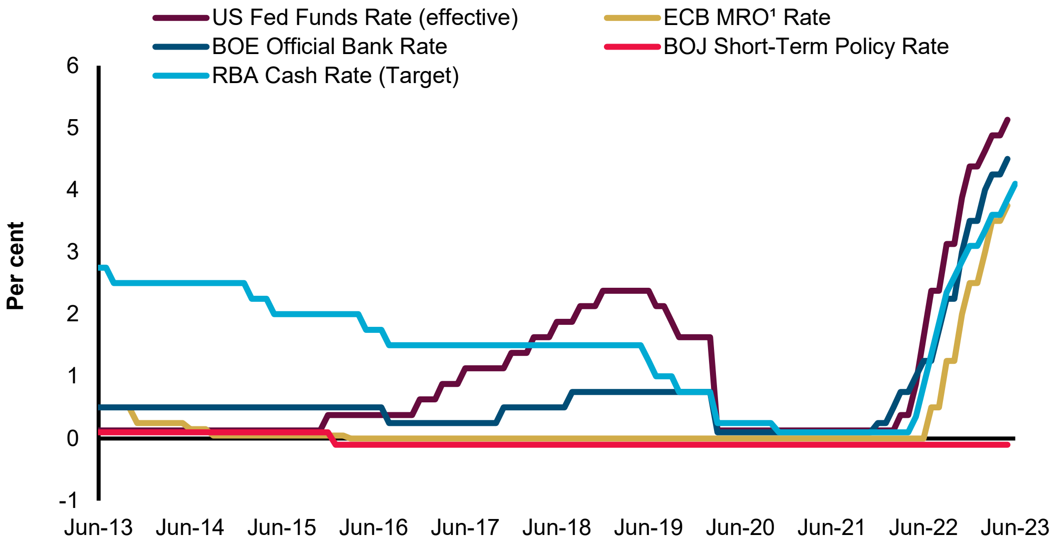
Notes:

1. Annual percentage change.
2. India Fiscal Year (April to March).
3. Latest available long-term forecasts.
4. MTP: Major Trading Partners weighted by nominal merchandise export shares.

Source: Consensus Economics.

This anticipation of a cyclical global economic downturn has been brought on by aggressive monetary tightening by many major central banks (Chart 2.1) in response to high inflation.

Chart 2.1 Key central bank interest rates



Note:

1. Main refinancing operations.

Sources: US Federal Reserve (US Fed), European Central Bank (ECB), Bank of England (BOE), Bank of Japan (BOJ) and Reserve Bank of Australia (RBA).

The success in taming inflation has so far been mixed. While headline inflation in the US has fallen from a peak of 9.1 per cent in June 2022 to 4.9 per cent in April 2023, inflation in the Euro area and the UK remains significantly higher.

Meanwhile, inflation pressure in Asia has been less severe than in the US or Europe, with inflation in both Japan and Korea moderating to around 3.5 per cent.

The causes of persistent inflation globally appear to have shifted from high energy costs and supply disruptions to broader flow on effects across the wider economy, including impacts on the cost of services.

Despite the announcement of oil production cuts by OPEC+ in early April 2023, the Brent oil price has fallen back below US$80/bbl and is well below the US$104/bbl average price recorded in 2022. The liquified natural gas price in the spot market in Asia has also dropped from the recent peak of US$38/MMBtu in mid-December 2022 to below US$10/MMBtu by early June 2023.

Meanwhile, the New York Federal Reserve's *Global Supply Chain Pressure Index* has fallen below average since February 2023, indicating that global supply chain conditions have largely normalised.

However, the president of the ECB has pointed out in a recent speech that Europe may be entering a period of '*lasting instability resulting in lower growth, higher costs and more uncertain trade partnerships*'.

Consistent with the expectations of a cyclical downturn, both coking coal and iron ore prices have fallen from their respective peaks in recent months (Chart 2.2).

The premium hard coking coal price fell from its recent peak of around US$400/t in February 2023 to around US$230/t by early June 2023, while iron ore prices have also declined, from around US$135/t to less than US$110/t.

Chart 2.2 Iron ore, Coking Coal and Steel Prices

Notes:

1. 62% Iron, Australia CIF China.
2. Premium Low Vol Hard Coking Coal, FOB Australia.
3. FOB China.

Sources: S&P Global Commodity Insights and Refinitiv.

2.2 National conditions

The Australian economy grew by 3.7 per cent in 2022, following a 5.2 per cent rebound in 2021 as the nation recovered from the COVID-19 induced economic downturn.

However, similar to the global economy, national economic growth is expected to slow in coming years, with the RBA forecasting growth of 1¾ per cent in 2023 and 1½ per cent in 2024, weighed down by slowing growth in consumption, public spending and exports.

The latest forecasts from Commonwealth Treasury in the 2023–24 Federal Budget show a broadly similar profile for economic activity, with growth slowing in 2023–24 before strengthening from 2024–25. However, Commonwealth Treasury indicated there are substantial downside risks to the national outlook, including further tightening in global monetary policy and financial conditions, ongoing impacts of the war in Ukraine and inflation being more entrenched than currently expected.

Nominal household spending remains well above the pre-COVID-19 trend, although growth slowed in recent quarters as household budgets, in particular discretionary spending, have come under increasing pressure.

The national household saving ratio has fallen from 17.6 per cent in the second half of 2020 to 3.7 per cent by March quarter 2023, with many households likely drawing on savings to maintain spending. Further, net household wealth has fallen in each quarter since the monetary policy tightening cycle began in May 2022 as the value of housing assets declined.

As substantial increases in borrowing costs continue to filter through to households, disposable incomes will tighten further with higher interest payments likely to constrain household spending during the remainder of 2023 and into 2024.

Strong labour demand has so far supported consumption and incomes, with compensation of employees rising 8.3 per cent in 2022 and annual growth accelerating further to 10.8 per cent in March quarter 2023. However, the pool of available potential workers has reduced, with the national unemployment rate having fallen to around 3.5 per cent, well below the rates that prevailed in the years preceding the pandemic and close to the lowest on record.

As a result, annual wages growth has finally accelerated, to 3.7 per cent in March quarter 2023, having averaged just 2 per cent per annum between 2015 and 2021. The RBA expect the unemployment rate to rise, but to a still-low 4½ per cent by mid-2025, and wages growth to accelerate to a peak of 4 per cent by December quarter 2023.

Business surveys continue to show elevated business conditions and ongoing signs of capacity constraints. Machinery and equipment investment has risen strongly to meet demand but non-dwelling and engineering construction spending, which tend to be larger projects with longer timeframes, has been more modest.

Labour shortages have continued to impact new dwelling investment nationally, causing project delays and extended completion times, while renovation activity continues to trend lower from record levels in 2021 as HomeBuilder projects reached completion. However, a large pipeline of work will support dwelling investment in the near-term, beyond which leading indicators of housing demand suggest a softer outlook.

Inflation is widely forecast to have peaked in 2022, with consumer price growth easing from a 3-decade high of 7.8 per cent in December quarter 2022 to 7.0 per cent in March quarter 2023. Further, the monthly CPI Indicator has moderated at a faster than expected pace, from 8.4 per cent in December 2022 to 6.8 per cent in April 2023.

However, services price inflation has picked up in recent quarters and is expected to limit the disinflationary impact of goods prices in coming quarters. The RBA still forecasts inflation to gradually move lower and fall within the RBA’s 2 to 3 per cent target by 2025.

After raising the cash rate by 4 percentage points between May 2022 and June 2023, most market economists, as well as financial market pricing, suggest the official cash rate is close to the peak for this cycle.

The ultimate impact of higher interest rates and inflation on consumer spending remains a key uncertainty to the national economic outlook.

2.3 Key assumptions

Key assumptions underpinning the economic forecasts for Queensland include:

- broadly in line with market expectations, the RBA cash rate to peak in mid-2023, with a gradual easing of monetary policy expected over 2024
- the A$ exchange rate to move toward its assumed medium-term anchor of around US$0.75
- Brent oil prices to gradually ease towards a medium-term level of US$75/bbl
- residential property prices in Brisbane appear to have stabilised in early-2023 after a period of decline. Modest price growth is expected to resume thereafter
- according to the Bureau of Meteorology (BOM), the La Niña weather pattern, which resulted in substantial rainfall across eastern Australia, has ended. Forecasts have been produced on the assumption of a return to average seasonal rainfall for the remainder of the 2023 and 2024 seasons. However, there is a risk of drier conditions evolving, with the latest modelling from the BOM, released on 6 June 2023, indicating an "El Niño Alert" had been activated, *'indicating a 70% chance of El Niño forming this year. This equates to roughly three times the normal chance of an El Niño forming'.*

2.4 Queensland conditions and outlook

Following strong growth of 4.4 per cent in 2021–22, the Queensland economy is forecast to grow by a further 2 per cent in 2022–23, with growth then strengthening to 3 per cent in 2023–24 (Chart 2.3). This growth profile largely reflects the impacts of domestic and international supply constraints and their subsequent unwinding across 2023 and 2024.

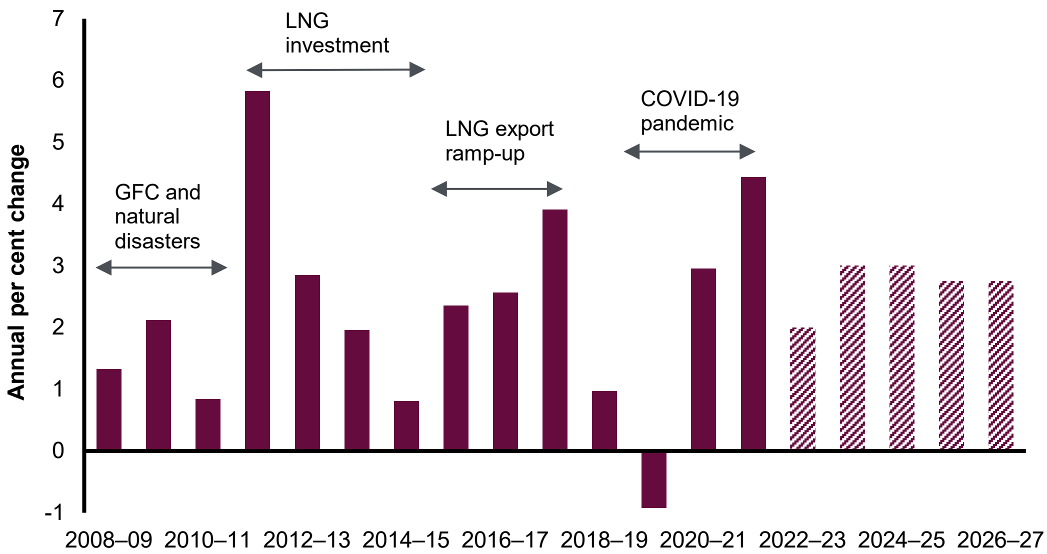
Household spending growth in Queensland has softened from the highs recorded in mid-2022 as consumers began to reassess their discretionary spending in the context of higher interest rates and other cost-of-living pressures. Even so, consumption remains considerably higher than the pre-COVID-19 trend, supported by population and employment growth recorded following the initial COVID-19 crisis, as well as the substantial savings accumulated during the pandemic.

As significant increases in borrowing costs continue to flow through to households, disposable incomes will tighten further and substantially slow spending growth to 3 per cent in 2022–23 and 1¼ per cent in 2023–24. Expected future cuts to interest rates and introduction of the Stage 3 income tax cuts by the Australian Government should provide some support to consumption from 2024–25 onwards.

Strong business conditions have been supported by elevated household spending and strong economic activity more broadly. While businesses are concerned about a potential economic slowdown, the high rates of capacity utilisation and a solid pipeline of non-dwelling construction projects should see overall business investment rise further.

In the dwellings sector, capacity constraints continue to limit output growth and industry completion times have drawn out. Renovation activity has fallen from the HomeBuilder peak in 2021, while declining house prices and rising construction costs have further contributed to a fall in dwelling approvals.

Chart 2.3 Economic growth, Queensland[1]



Note:

1. Gross State Product, Chain volume measure (CVM), 2020–21 reference year.

Sources: ABS Annual State Accounts and Queensland Treasury.

Following 2 years of strong growth, dwelling investment in Queensland is expected to fall 5 per cent in 2022–23, primarily because of supply side constraints, with a substantial pipeline of work yet to be done.

The solid pipeline of committed residential construction work and easing supply constraints should support a boost in dwelling investment in 2023–24, forecast to rise by 5½ per cent. However, the growth of new dwelling investment coming into the pipeline is subdued amid the impacts of higher interest rates and elevated construction costs. This suggests a potential softening beyond completion of the current committed pipeline of residential construction work.

Commodity prices and nominal export values have moderated from their peaks and are expected to normalise from still-high levels as domestic and international supply issues abate.

Both exports and imports of services are forecast to increase towards pre-COVID-19 trends over the forecast horizon as global travel and related activity continues to normalise.

Overseas exports of goods and services are forecast to grow 3½ per cent in 2022–23, driven by an ongoing rebound in tourism and education services exports. An unwinding of supply constraints on goods exports and slowing goods imports is forecast to result in a one percentage point contribution from the trade sector in 2023–24, before the trade sector largely returns to balance, with a neutral contribution to growth, in 2024–25 as services export growth moderates.

With Queensland's state final demand outperforming the rest of Australia during the pandemic, demand for labour has been exceptionally strong. Queensland's employment growth reached 5.1 per cent in 2021–22 (equating to an additional 130,000 jobs across the state), the strongest annual gain since 2004–05. The year-average unemployment rate fell to just 4.5 per cent and measures of underemployment are also low.

The job vacancy rate is near its record high and, combined with a smaller pool of potential workers since before the pandemic, wages growth picked up from a low of 1.4 per cent in early 2021 to 3.7 per cent by March quarter 2023, which is the highest annual growth since mid-2012.

Employment growth is expected to ease modestly to 3¼ per cent in 2022–23 but the labour market remains exceptionally tight, with the unemployment rate forecast to fall to 3¾ per cent, its lowest level since 2007–08. Consistent with the growth profile of state final demand, employment growth is expected to moderate to one per cent in 2023–24 and 1½ per cent in 2024–25.

The unemployment rate is expected to edge slightly higher as the domestic economy slows, but remain low by historical standards, at 4¼ per cent in 2023–24 and 4½ per cent in 2024–25.

While incomes remain under pressure in real terms, wages are forecast to strengthen to 3¾ per cent in 2022–23, up from 2.5 per cent in 2021–22. Consistent with the lagged impact of a very tight labour market, wages growth is forecast to strengthen further to 4 per cent in 2023–24.

Inflationary pressures have continued to build in 2022–23, with year-average growth in Brisbane's consumer price index forecast to rise from 5.4 per cent in 2021–22 to an estimated 7¼ per cent for 2022–23. While goods prices (especially prices related to new dwelling purchase by owner-occupiers and automotive fuel components) have evolved largely as expected, the inflation outlook is higher than previously anticipated due to inflationary pressures in the services sector.

However, there is growing evidence that headline inflation has peaked, having slowed from 7.9 per cent in September quarter 2022 to 7.4 per cent in March quarter 2023. In year-average terms, inflation is forecast to moderate to 3¾ per cent in 2023–24 and then 3 per cent in 2024–25.

Queensland's population growth is expected to strengthen to 2 per cent in 2022–23, reflecting a pickup in overseas migration as departures have temporarily lagged arrivals. With interstate migration forecast to stabilise at around pre-COVID-19 levels and net overseas migration to be maintained at elevated levels, Queensland's population growth is forecast to ease back to 1½ per cent by 2024–25.

Table 2.2 Queensland economic forecasts/projections[1]

	Actuals	Forecasts			Projections	
	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27
Gross state product[2]	**4.4**	**2**	**3**	**3**	**2¾**	**2¾**
Employment	5.1	3¼	1	1½	1¾	1¾
Unemployment rate[3]	4.5	3¾	4¼	4½	4½	4¾
Inflation[4]	5.4	7¼	3¾	3	2½	2½
Wage Price Index	2.5	3¾	4	3½	3½	3½
Population	1.6	2	1¾	1½	1½	1½

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. Chain volume measure (CVM), 2020–21 reference year.
3. Per cent, year-average.
4. Brisbane, per cent, year-average.

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

2.4.1 Household consumption

Following the impacts on spending during the initial stages of the pandemic, real household consumption in Queensland rebounded considerably across 2020–21 and 2021–22, rising 9.0 per cent between March quarter 2020 and June quarter 2022.

Since then, aggregate household spending in Queensland has generally been sustained at elevated levels with tight labour market conditions, a pick-up in population growth and substantial savings accumulated during the pandemic offsetting the impacts of higher cost-of-living pressures.

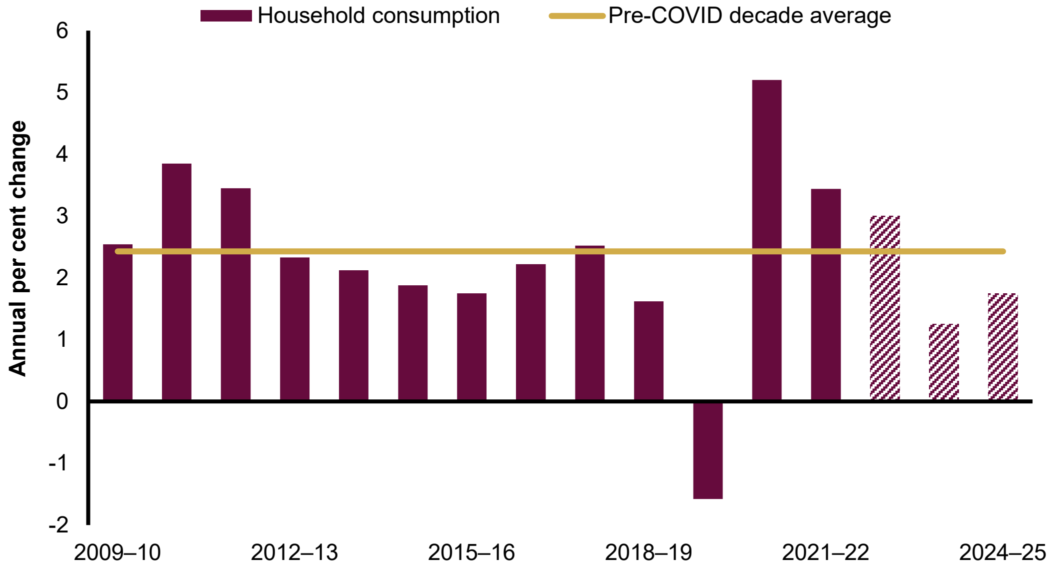
At a component level, consumption patterns that had altered during COVID-19 have continued to normalise and rebalance towards services. This has particularly been the case as consumers increased spending on travel services after the international border re-opened in early-2022.

However, there are signs that households are now adjusting spending in response to the substantial increase in borrowing costs. After being broadly unchanged in December quarter 2022, household consumption in Queensland fell marginally in March quarter 2023.

Household spending is expected to be constrained further as the lagged impact of higher interest payments weigh on household budgets, particularly with many mortgages rolling-off from fixed rates and onto higher variable rates during 2023. This, along with recent declines in asset prices lowering household wealth, is expected to see growth in real household consumption slow significantly from 3 per cent in 2022–23 to 1¼ per cent in 2023–24 (Chart 2.4).

Over the remainder of the forward estimates, consumption growth is forecast to recover gradually, with scheduled income tax cuts and easing of interest rates supporting disposable incomes. However, persistent consumer caution and a maturing dwelling construction cycle will likely keep spending growth over the later years of the forecast period below the average recorded in the pre-COVID-19 decade.

Chart 2.4 Real household consumption outlook, Queensland[1]



Note:

1. Chain volume measure, year-average.

Sources: ABS National Accounts and Queensland Treasury.

2.4.2 Dwelling investment

Dwelling investment in Queensland fell 14.0 per cent over the year to June quarter 2022, with both new and used construction and renovation activity lower over the year. Residential construction activity was greatly constrained by material and labour supply shortages, poor weather and flooding, and several construction company insolvencies.

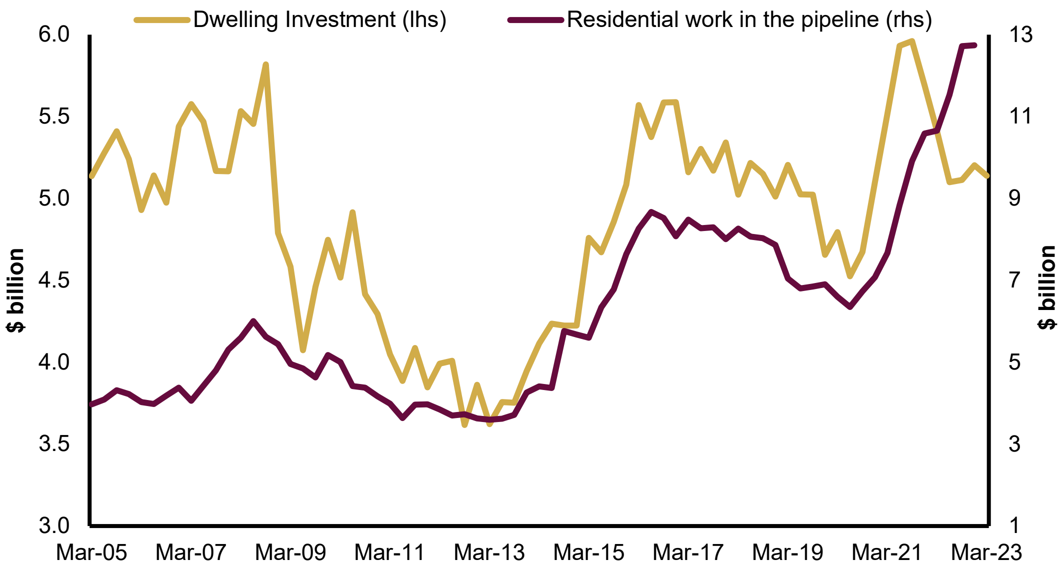
However, there are signs that supply constraints are beginning to ease, particularly for materials, with new and used construction in March quarter 2023 rising 10.4 per cent from its trough in June quarter 2022, though this has largely been offset by lower renovation activity.

As a result of supply constraints, there remains a considerable amount of work in the pipeline, given that previous record low interest rates and indications by the RBA that rates would remain low for an extended period, as well as generous government incentives in response to COVID-19, underpinned a boom in dwelling investment in recent years.

Reflecting this strong demand, there was a record $12.7 billion of residential work in the pipeline in December quarter 2022, easily eclipsing the previous record in 2016 during the inner-city apartment boom in Brisbane (Chart 2.5).

Following 2 years of strong growth, dwelling investment in Queensland is expected to fall 5 per cent in 2022–23. Dwelling investment is then forecast to rebound 5½ per cent in 2023–24 and be maintained at around this level in 2024–25, supported by the continued easing of supply constraints.

Chart 2.5 Queensland dwelling investment[1] and work in the pipeline[2]



Notes:

1. Quarterly, chain volume measure, seasonally adjusted.
2. Quarterly, nominal, original.

Sources: ABS National Accounts and Building Activity.

Box 2.1 Housing and rental market dynamics

Previously low interest rates and substantial government support at a national and state level in response to the COVID-19 pandemic underpinned a boom in Queensland's housing market, creating a strong pipeline of work.

However, material and labour supply shortages, weather disruptions, and several construction company insolvencies have constrained Queensland's residential construction activity, slowing the supply of new dwelling stock (see Chart 2.5 above).

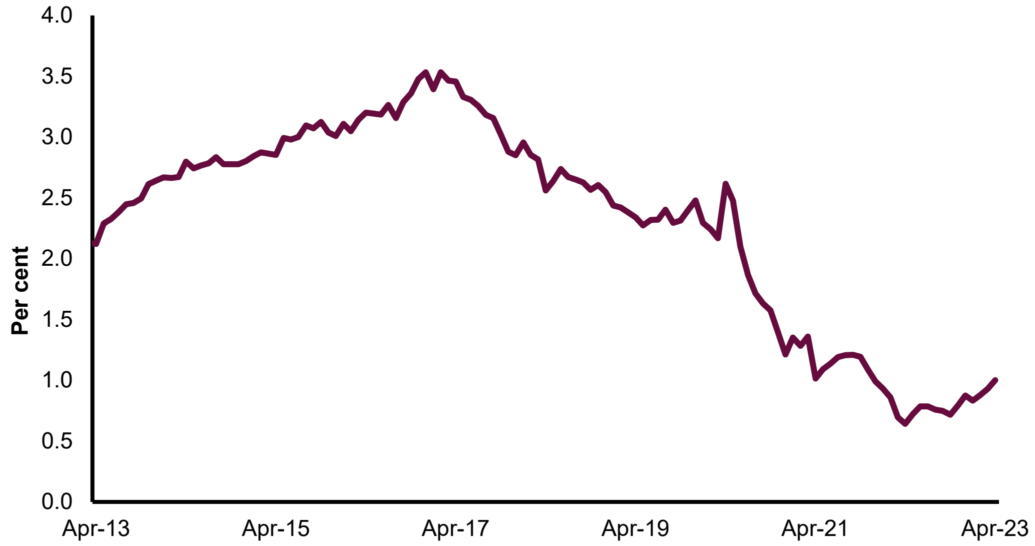
In contrast to supply, high rates of household formation have driven strong growth in housing demand. Historically high levels of net interstate migration over 2021–22, followed by a recovery in net overseas migration over 2022–23, both contributed to strong population growth in Queensland.

Average housing size has also been declining over time due to both short and long-term factors. Small changes in household size have large impacts — for each 0.01 fall in persons per household, around 8,500 additional dwellings are required.

Broader housing market conditions have tended to have the most significant impacts on the rental market. During the pandemic, the rental stock in Queensland declined significantly, partly due to the sale of properties to owner-occupiers. This drove rental vacancy rates to record lows and sharp rent increases across many Queensland regions, with a similar phenomenon apparent nationally.

The vacancy rate in Queensland had been on a downward trend since the end of 2016, which accelerated during the COVID-19 pandemic, reaching a record low of 0.6 per cent by April 2022. However, according to SQM Research, the residential rental vacancy rate in Queensland has improved marginally over the year, having risen to 1.0 per cent by April 2023 (Chart 2.6).

Chart 2.6 Queensland residential rental vacancy rate[1]



Note:

1. Monthly, seasonally adjusted.

Sources: SQM Research and Queensland Treasury.

While vacancy rates remain low across Queensland, improvements over the year can be seen across several regions, including Cairns, Townsville, Toowoomba, Sunshine Coast, Gold Coast and Greater Brisbane.

The Queensland Government has taken a range of actions to address housing affordability and increase housing availability, as outlined in Chapter 1.

2.4.3 Business investment

Total private business investment was easing ahead of the pandemic and fell further during 2020 and early 2021 during the early stages of the pandemic. It has subsequently strengthened in line with the recovery in general economic activity, growing strongly by 8.8 per cent in the year to March quarter 2022 and a further 7.2 per cent in the year to March quarter 2023.

High levels of capacity utilisation, strong business conditions and a tight labour market (which will encourage some firms to substitute capital for labour) are all expected to support growth in machinery and equipment investment.

Leading indicators of non-residential building have eased recently but remain at elevated levels while a strong pipeline of major investment projects, including in renewable energy, is expected to support engineering construction.

Supply chain disruptions have pushed up building and construction costs in recent years. The producer price index for Queensland non-residential building and construction rose by over 12 per cent in the year to June quarter 2022. However, ongoing resolution of supply disruptions has seen some easing in cost pressures with the index growing by a more moderate 8.4 per cent in the year to March quarter 2023.

Building cost inflation is expected to ease further over the forecast horizon and overall real business investment is expected to continue to grow at a moderate pace.

2.4.4 Public final demand

Public final demand is forecast to grow 4¼ per cent in 2022–23 and then 4¾ per cent in 2023–24 and 5¼ per cent in 2024–25.

The 2023–24 Queensland Budget is continuing to support delivery of the government's overarching community objectives of good jobs, better services, and great lifestyle through an unprecedented capital works program which will facilitate and deliver productivity enhancing economic and social infrastructure across the state, including a range of major projects across regional Queensland.

The record capital program of $88.729 billion over the 4 years to 2026–27 will enhance the productivity and competitiveness of Queensland businesses and industries over the medium to longer term, including supporting the transition of the economy in the context of global decarbonisation, and will also help support ongoing solid growth in public final demand across the forecast period.

2.4.5 Overseas exports and imports

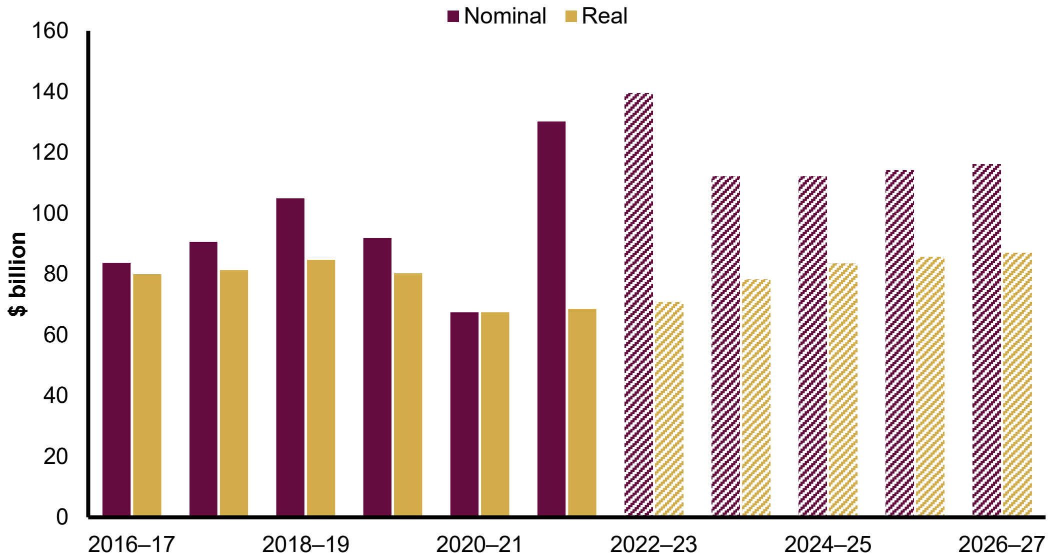
High prices for Queensland's key commodity exports have boosted the nominal value of Queensland's goods and services exports to a record high of $130.2 billion in 2021–22, with the value of exports expected to grow even higher to nearly $140 billion in 2022–23.

Growth in real terms is expected to be more muted, given the strong increase in global prices for many key exports (Chart 2.7).

Overseas exports of goods and services are forecast to grow by 3½ per cent in 2022–23. This reflects strong growth in services exports, as they recover from the impacts of the pandemic, more than offsetting a decline in goods exports caused by unscheduled LNG maintenance and weather-related supply constraints impacting coal export volumes.

Goods and services exports are forecast to grow strongly, by 10½ per cent, in 2023–24 as supply constraints affecting goods exports unwind and services exports continue to recover towards pre-COVID-19 levels. In 2024–25, overseas exports are expected to continue to grow strongly but at a slightly lower rate of 6¾ per cent, as the growth of services exports moderates considerably.

Chart 2.7 Queensland's goods and services exports[1]



Note:

1. Real values are chain volume measure 2020–21.

Sources: ABS Balance of Payments and Queensland Treasury.

Coal

Queensland's coal export volumes are estimated to fall by ½ per cent in 2022–23, as poor weather conditions constrained supply and global pig iron production, a key driver of demand for metallurgical coal, declined.

Spot prices for premium hard coking coal have moderated from the unprecedented highs in 2021–22 following Russia's invasion of Ukraine but remain elevated by historical standards. The premium hard coking coal spot price fell from an average of US$594 per tonne (/t) in March 2022 to US$265/t by December 2022.

Supply disruptions in early 2023, including extreme rainfall in January, a train derailment and subsequent track closure, and a cyclone off the coast of North Queensland disrupting shipping in February, all contributed to the premium hard coking coal price rebounding to US$369/t in February 2023.

Since then, supply constraints have eased and the spot price has fallen to average US$231/t in May 2023. Hard coking coal prices are expected to continue to normalise across 2023–24, returning towards prices in line with medium-term fundamentals.

The hard coking coal price is now expected to return to US$175/t in the medium term, up from US$160/t assumed in the 2022–23 Budget Update, reflecting persistently higher than expected inflation and the impacts of decarbonisation efforts, which are expected to increase mining costs in the medium term.

Premium thermal coal spot prices remained extremely high across the first half of 2022–23, averaging nearly US$400/t, more than 5 times higher than the pre-COVID-19 average in 2019 of US$75/t. However, as supply constraints eased in the first half of 2023, the spot price fell rapidly, from US$400/t in December 2022 to US$180/t in March 2023, and US$170 in May 2023.

Premium thermal coal prices are expected to continue to ease across 2023–24. However, the thermal coal market is expected to remain tight over the forecast period, as concerns about climate change reduce the viability of new investments in thermal coal supply globally. As a result, thermal coal prices are expected to remain above their historical long-run average price across the forecast period.

In January 2023, China lifted its unofficial ban on Australian coal imports, by allowing some companies to resume importing. China has subsequently allowed all companies to resume importing coal from Australia. Ports data show that Queensland exported 5.0 million tonnes of coal to China across January to April.

Looking forward, China's resumption of coal imports from Queensland and Australia may help support demand for Queensland's coal exports across the forward estimates. However, this impact is expected to be modest.

Following China's initial ban in October 2020, Queensland's coal exporters were largely successful in finding alternative customers for their coal, offsetting the vast majority of exports to China through increased exports to other countries, primarily Japan, India and Korea.

Queensland's coal exports are forecast to grow by 6¼ per cent in 2023–24, as supply conditions normalise. Coal exports are then forecast to grow further in 2024–25, returning towards pre-COVID-19 levels, as global growth strengthens.

In 2025–26 and 2026–27, coal exports are projected to grow modestly, as global economic conditions and growth normalise.

LNG

The volume of Queensland's LNG exports is estimated to fall 5¾ per cent to 22.2 million tonnes in 2022–23, largely due to maintenance issues at one of the LNG plants on Curtis Island.

The majority of Queensland's LNG exports are sold under long-term contracts linked to global oil prices, with several months lag. The Russian invasion of Ukraine sparked concerns about an oil supply shortfall in the market, which saw the Brent crude oil price average above US$100/bbl in 2022, peaking at nearly US$140/bbl in early March 2022.

These higher oil prices have flowed through to Queensland's LNG export prices, boosting the value of Queensland's LNG exports, which more than doubled in value in 2021–22 and are expected to rise a further 17½ per cent in 2022–23.

However, concerns surrounding a global shortfall of oil have not materialised, and global supply of oil overtook global consumption in 2022, putting downward pressure on oil prices.

As a result, global oil prices have fallen back to levels in late 2022 and early 2023 similar to those seen before the war in Ukraine, reaching as low as US$73/bbl in late May 2023. The value of Queensland's LNG exports will decline from their record high as oil prices moderate.

With maintenance issues expected to be resolved, Queensland's LNG export volumes are expected to rebound 3 per cent in 2023–24, with all 3 LNG plants assumed to resume production at contracted capacity.

Metals

Queensland's industrial metals exports fell 12.5 per cent in 2021–22 as production was hampered by COVID-19 related workforce disruptions, weather interruptions and outages at major refineries and smelters.

Production and exports generally rebounded strongly in late 2022. However, a workplace incident at the Dugald River mine and the significant flooding in early 2023, which saw production reduced across several sites for an extended period, resulted in overall output being reduced in the March and June quarters.

After a range of delays, commissioning of the Sun Metals zinc refinery expansion is expected to support a lift in metals exports in 2023–24 and 2024–25.

From 2025, several significant zinc and copper mines are scheduled to close as economically viable ore is depleted and this will impact Queensland's industrial metals exports by mid-decade. However, Queensland base metal exploration has grown rapidly in recent years, particularly for copper, and there are several potential expansions currently under review which will have some offsetting effect if they proceed.

Agriculture

The volume of agricultural exports rose by 4.3 per cent in 2021–22, driven by sharp increases in cotton, grain sorghum and wheat exports, as favourable weather conditions and elevated prices incentivised growers to expand production. Beef exports moderated slightly as producers retained stock following another wet 2021–22 summer.

Agriculture exports are expected to further strengthen in 2022–23, as increased winter rainfall in 2022, combined with elevated commodity prices, lead to increased cotton and crop production and exports.

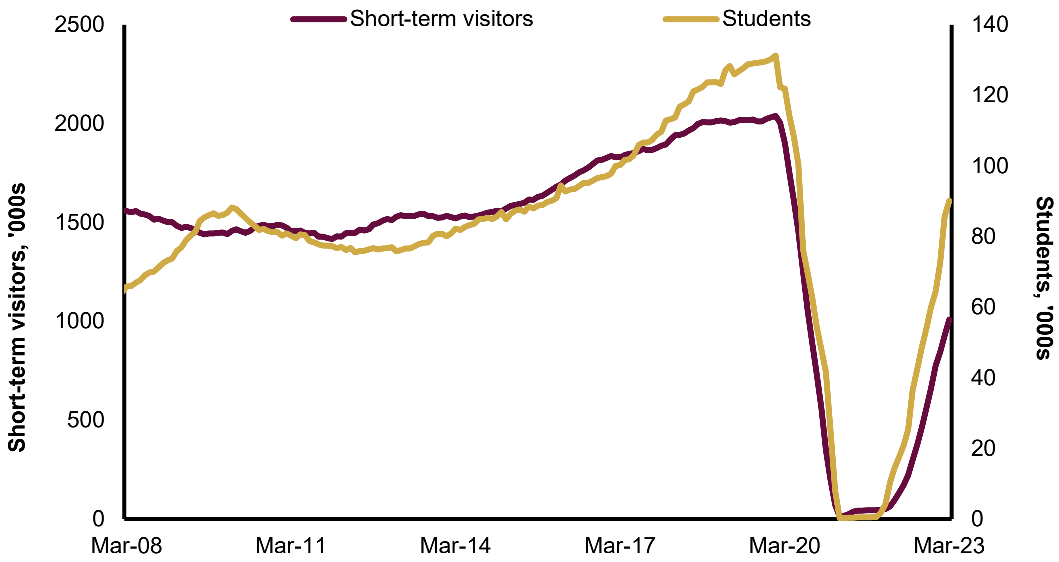
Beef exports are expected to return to growth in 2022–23 and 2023–24, as drier conditions lead to increased cattle processing.

Similarly, cotton exports are projected to rise sharply in 2022–23, due to a large harvest in 2021–22 and a sizeable crop in 2022–23 driven by high rainfall in key cotton producing areas. Cotton exports are expected to moderate from 2023–24 as drier conditions set in, resulting in a drawdown in water storages.

Services exports

The reopening of Australian borders has seen a large increase in overseas visitor inflows, albeit from exceptionally low levels (Chart 2.8).

Chart 2.8 Short-term visitor and student arrivals, Queensland[1]



Note:

1. 12-month rolling sum, '000s.

Source: ABS Overseas Arrivals and Departures.

Following a prolonged period of negligible arrivals, the number of international short-term visitors has risen strongly and, on a rolling 12-month basis, in the year to March 2023 is now close to 50 per cent of the pre-COVID-19 peak.

Overseas student arrivals have increased even more strongly. On a 12-month rolling basis, student arrivals in the year to March 2023 are back to almost 70 per cent of their previous peak.

A combination of international airline capacity constraints, ongoing uncertainty, and travel restrictions in China (previously a major source of visitors and students) has prevented a complete recovery to date. However, the recent relaxation of Chinese travel restrictions, together with the assumed improvements in travel capacity and confidence, are expected to produce a further recovery in visitor arrivals over the forecast horizon.

This is expected to translate into continued strong growth in services exports.

Imports

Overseas imports are expected to grow by 11½ per cent in 2022–23, driven by strong growth in goods imports in the first half of the year, as global supply chains recovered and reflecting the first full financial year without international travel restrictions.

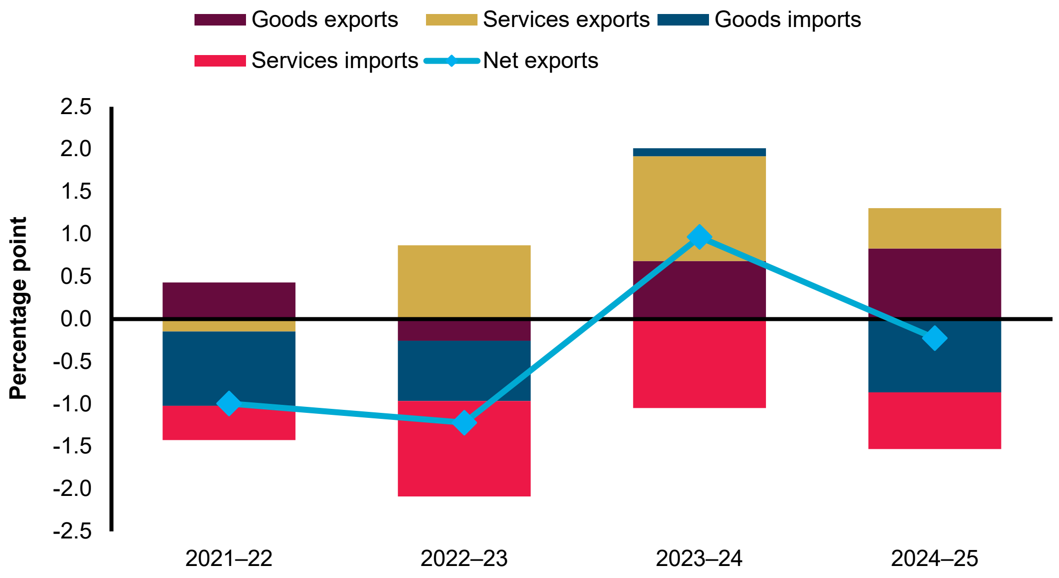
Imports are then expected to grow by 5½ per cent in 2023–24, as overseas travel continues to recover but goods imports contract, as household consumption is constrained by the impacts of interest rate rises.

In 2024–25, overseas imports are forecast to grow 8½ per cent, with goods imports returning to growth. Meanwhile, growth rates for services imports are expected to moderate, but the level of overseas travel is expected to have returned by then to above pre-COVID-19 levels.

Reflecting the trends in exports and imports detailed above, in net terms the overseas trade sector is expected to detract 1¼ percentage points from growth in 2022–23, as strong growth in both goods and services imports and a decline in goods exports more than offset the recovery in services exports.

In 2023–24, net overseas exports are forecast to make a one percentage point contribution to growth, as goods exports recover and goods imports are impacted by slowing household consumption growth (Chart 2.9). The trade sector is then forecast to return to balance in 2024–25, with a neutral contribution to GSP growth in that year.

Chart 2.9 Overseas exports and imports[1]



Note:

1. Percentage point contribution to GSP growth. 2022–23 onwards are forecasts.

Sources: ABS Balance of Payments and Queensland Treasury.

2.4.6 Labour market

Queensland's labour market remains remarkably strong and tight, with the unemployment rate at around decade lows, the job vacancy rate near its historic high and the employment-to-population ratio around its highest level in more than a decade.

As of April 2023, Queensland has recorded among the strongest employment gains of any state or territory, and stronger jobs growth in percentage terms than the rest of the nation, since the beginning of the COVID-19 pandemic in March 2020. Trend employment in Queensland has grown by 226,300 persons (or 8.8 per cent) over this period.

Despite this strong performance, there have been signs that interest rate rises have impacted the labour market in the second half of 2022 and into 2023.

Annual employment growth has slowed, from a peak of 4.8 per cent in July 2022 to 1.5 per cent in April 2023, while the unemployment rate has edged up slightly from a low of 3.5 per cent in October 2022 to 3.8 per cent in April 2023.

The full impact of rapid monetary policy tightening is expected to continue to flow through to domestic economic activity and the labour market over coming quarters.

After growing by 5.1 per cent in 2021–22, year-average employment growth is expected to moderate but remain strong at 3¼ per cent in 2022–23. As the effects of sharp interest rate rises flow through to consumption and the domestic economy, employment growth is forecast to slow to one per cent in 2023–24. As domestic economic activity recovers, employment growth is forecast to pick-up to 1½ per cent in 2024–25 (Chart 2.10).

Through this period of softening private sector demand, ongoing growth in public final demand, including the government's substantial infrastructure program, will provide support to the labour market.

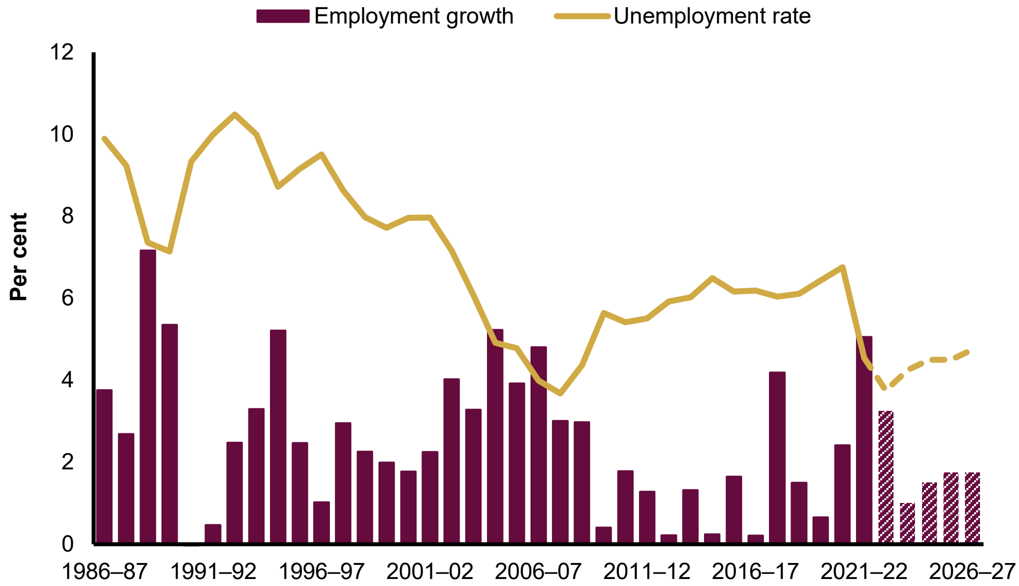
Beyond 2024–25, employment is projected to grow by 1¾ per cent per annum in both 2025–26 and 2026–27, in line with projected working age population growth.

Queensland's unemployment rate is forecast to fall from an average of 4.5 per cent in 2021–22 to an exceptionally low 3¾ per cent in 2022–23. This would be Queensland's lowest year-average unemployment rate since 2007–08.

As domestic activity is expected to be more constrained in 2023–24, the unemployment rate is forecast to rise moderately to 4¼ per cent but remain very low by historical standards.

Queensland's unemployment rate is then expected to continue to normalise over the forward estimates, averaging 4½ per cent in both 2024–25 and 2025–26, reaching 4¾ per cent in 2026–27.

Chart 2.10 Employment growth and unemployment rate[1]



Note:

1. Original.

Sources: ABS Labour Force and Queensland Treasury.

Regional labour markets

Employment in many regions of the state has rebounded strongly since the COVID-19 pandemic.

Employment in South East Queensland rose 3.1 per cent in the 12 months to April 2023, led by Sunshine Coast (up 13,500 persons, or 7.0 per cent), Moreton Bay – South (up 11,000 persons, or 9.5 per cent) and Moreton Bay – North (up 8,900 persons, or 7.7 per cent). Brisbane – South (up 7,900 persons) and Brisbane – West (up 7,800 persons) also recorded strong employment gains during the period.

Many regional Queensland labour markets have recovered strongly from the COVID-19 pandemic, with key regional industries supported by high commodity prices, solid domestic tourism, improved rainfall and the strong dwelling sector. Employment in regional Queensland grew 5.4 per cent in the year ended April 2023 with Central Queensland (up 12,200 persons, or 10.4 per cent) and Wide Bay (up 10,600 persons, or 8.9 per cent) recording the strongest employment growth.

The average unemployment rate across regional Queensland fell 1.2 percentage points to 3.9 per cent in the year to April 2023, to be the lowest unemployment rate recorded in regional Queensland since May 2008.

Cairns (3.8 per cent), Townsville (2.3 per cent) and Wide Bay (5.6 per cent) all recorded among the lowest unemployment rates in more than a decade in April 2023.

2.4.7 Prices and wages

In year-average terms, growth in Brisbane's consumer price index (CPI) strengthened to 5.4 per cent in 2021–22, up from 1.2 per cent during the height of the COVID-19 pandemic in 2019–20 and 2.1 per cent in 2020–21.

Inflationary pressures have continued to build in the first half of 2022–23, with CPI growth rising to a peak of 7.9 per cent over the year to September quarter 2022, the strongest annual increase since 1987.

There is strong evidence, however, that annual inflation has peaked, having slowed to 7.7 per cent in December quarter 2022 and 7.4 per cent in March quarter 2023.

While the initial surge in inflation was predominantly driven by accelerating goods inflation, more recently inflationary pressures have also broadened across services components. In fact, in March quarter 2023, 70 of the 87 expenditure components that comprise the Brisbane CPI basket recorded annual price increases of above 3 per cent, up from just 14 components in March quarter 2021.

While new dwelling purchase for owner-occupier inflation has eased from the historical high increase of 30.2 per cent in June quarter 2022, the component remains the strongest contributor to headline inflation, having risen 12.7 per cent over the year to March quarter 2023.

Meanwhile, several services components continue to strengthen, with rents, buoyed by historically low vacancy rates, rising 7.0 per cent over the year to March quarter 2023. Further, strong demand for travel throughout 2022 and into early 2023 at a time when the number of operating flights had not yet returned to pre-COVID-19 levels, resulted in holiday travel and accommodation annual inflation surging to a record high 24.9 per cent in the March quarter.

Brisbane's CPI growth is expected to average 7¼ per cent in 2022–23. If realised, this would be the strongest year-average increase in Brisbane's CPI since 1989–90.

Beyond 2022–23, services inflation is expected to become the primary driver of inflationary pressures in Brisbane. Goods price inflation is expected to continue to ease in the near-term, driven by a range of factors including consumers continuing to switch spending from goods to services, falling global shipping costs, lower oil prices flowing through to automotive fuel, material and labour shortages continuing to ease and a normalisation in food price inflation as agricultural production recovers from the impacts of flooding events in 2022.

However, these falls are expected to be partially offset by services inflation remaining elevated for some time, primarily driven by further strengthening in rents, as population growth tempers the improvement in vacancy rates, and ongoing strong demand for holiday travel and accommodation.

The net impact of these divergent trends is expected to result in CPI growth moderating to 3¾ per cent in 2023–24, 3 per cent in 2024–25 and 2½ per cent over the remainder of the forecast period.

Consistent with the very tight labour market, Queensland's wage price index (WPI) annual growth has accelerated over recent years, rising from a trough of 1.4 per cent in March quarter 2021 to 3.7 per cent in March quarter 2023, which is the highest annual growth since June quarter 2012.

Queensland's WPI growth is expected to strengthen to 3¾ per cent in 2022–23, up from 2.5 per cent in 2021–22, and strengthen further to 4 per cent in 2023–24.

Box 2.2 Recent inflation trends

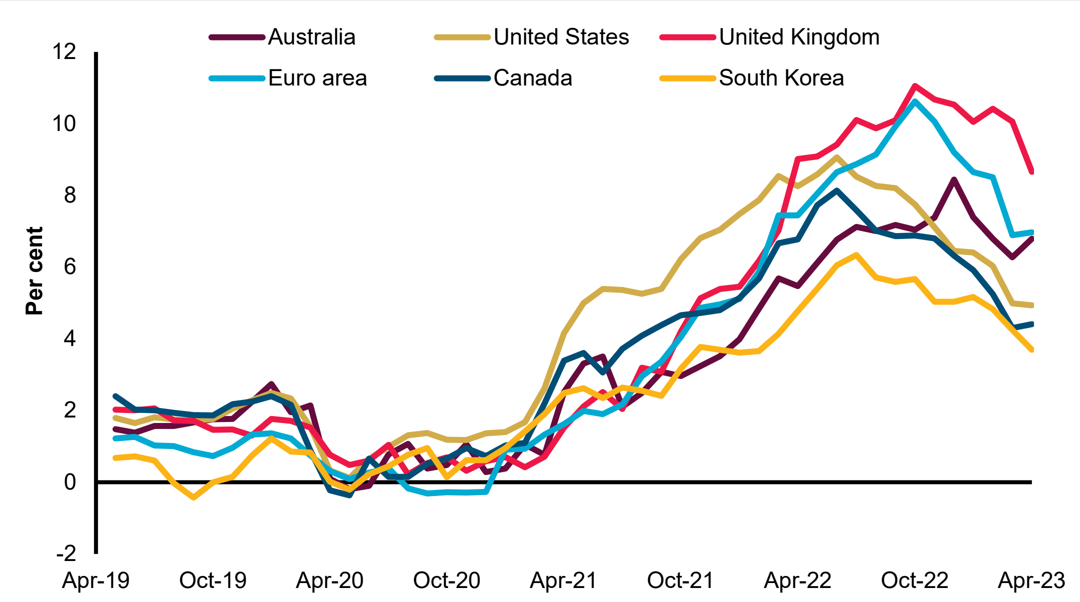
Global trends

Annual consumer price inflation rates surged globally throughout 2021 and the first half of 2022. This was driven by significant fiscal and monetary stimulus in response to the COVID-19 pandemic and supply chain disruptions, initially due to factors associated with the pandemic but then exacerbated by Russia's invasion of Ukraine.

However, more recently there have been some signs of global disinflation (Chart 2.11) as the impact of aggressive interest rate rises begin to impact consumer demand and global supply chain disruptions have eased.

In the United States, headline consumer price inflation has eased to 4.9 per cent in April 2023, down from a peak of 9.1 per cent in June 2022. Inflation is also easing in the Euro area (7.0 per cent in April 2023, down from a peak of 10.6 per cent in October 2022), Canada (4.4 per cent in April 2023, down from 8.1 per cent in June 2022) and South Korea (3.7 per cent in April 2023, down from 6.3 per cent in July 2022).

Chart 2.11 Annual consumer price inflation by jurisdiction



Source: Refinitiv.

However, global oil prices having almost halved since Brent crude oil peaked at US$140/bbl in March 2022 has been the predominant driver of these falling headline inflation rates. As such, various measures of core inflation, which typically remove volatile CPI components including fuel prices, have fallen at a slower rate.

Core inflation measures continue to be supported by elevated rates of services inflation. This is particularly evident in the United States where annual core inflation has remained stable at around 5½ per cent in early-2023 (while headline inflation has fallen considerably during the same period), supported by annual services inflation of 6.8 per cent in April 2023.

Domestic trends

Inflationary trends in Brisbane and nationally have broadly followed global trends in recent years, with the initial surge in headline inflation primarily driven by goods components, in particular new dwelling purchases by owner-occupiers and automotive fuel, while services inflation was more delayed.

In Brisbane, annual services inflation has accelerated from 2.9 per cent in December quarter 2021 to 7.6 per cent in March quarter 2023. The March quarter 2023 result is the highest rate of annual services inflation since 1995.

Key components supporting services inflation include *rents* and *holiday travel and accommodation* costs.

Rental vacancy rates in Brisbane have trended lower since the onset of the COVID-19 pandemic, partly driven by a falling average household size as many renters opted for more living space. Partially reflecting the fall in Queensland's rental stock, Brisbane's rental vacancy rate has been at, or below, one per cent since early 2022, supporting strong growth in rents.

Meanwhile, strengthening demand, rising fuel costs and airline capacity remaining significantly below pre-COVID-19 levels resulted in holiday travel and accommodation costs rising significantly throughout 2022 and early-2023.

Consumer inflation trends in Australia have also been impacted by flooding events throughout 2022, impacting agricultural supply. The flooding exacerbated food price inflation that had already been impacted by Russia's invasion of Ukraine and other constraints, including COVID-19-related supply chain disruptions and high transport and fertiliser costs.

To help address these national cost-of-living pressures, the government is providing a record $8.224 billion worth of concessions in 2023–24, an increase of 21.2 per cent from 2022–23.

The government is providing $1.617 billion in the 2023–24 Queensland Budget towards new and expanded cost-of-living measures that will help address the challenges Queenslanders are facing.

This includes an unprecedented $1.483 billion in 2023–24 for additional electricity bill support to households and small businesses facing cost-of-living pressures.

As part of this package, all Queensland households will automatically receive a $550 Cost of Living Rebate on their electricity bill in 2023–24, while around 600,000 vulnerable households will benefit from a higher $700 Cost of Living Rebate.

In addition, vulnerable households will continue to receive the existing $372 rebate under the Queensland Electricity Rebate Scheme, bringing total support for this group to $1,072.

Eligible small businesses in Queensland will also receive an automatic rebate of $650 on their electricity bill in 2023–24. This includes around 205,000 Queensland small businesses that consume less than 100,000 kilowatt hours per annum.

The Queensland Government's cost-of-living relief package significantly increases and broadens support under the National Energy Bill Relief Plan, jointly funded by the Queensland and Australian Governments.

As part of this package, the Queensland Government has also allocated a total of $60 million for a Household Energy Initiatives program, and $10 million to support community non-government organisations to deliver energy literacy and education programs.

2.4.8 Population

Queensland's overall population growth recovered to 1.6 per cent in 2021–22, after the pandemic related international border restrictions slowed growth to 1.0 per cent in 2020–21.

Queensland's relatively better COVID-19 health outcomes, along with stronger labour market outcomes and relative housing affordability, drove a surge in net interstate migration during the pandemic. At around 101,000 persons since June quarter 2020, Queensland's net interstate migration during the COVID-19 pandemic has been the highest in Australia.

This is consistent with the long-term trend of Queensland being a substantial net recipient of interstate migrants, particularly from New South Wales and Victoria.

However, after a substantial upswing in the first 3 quarters of 2021–22 (up 46,930 persons), net interstate migration to Queensland has continued to normalise during the subsequent 2 quarters, averaging only around 8,200 persons per quarter. Over the remainder of the forward estimates, net interstate arrivals are expected to broadly stabilise at around pre-COVID-19 levels.

Latest data show overseas migrant arrivals have returned to pre-pandemic levels, but departures are still lagging as there are fewer recently arrived temporary migrants who are due to leave. As a result, having generally been a net outflow throughout the pandemic, net overseas migration to Queensland has risen over 41,600 persons in the first 3 quarters of 2022. This contrasted with a detraction of almost 2,400 persons over the same period in 2021.

Tight labour market conditions are also expected to support elevated levels of net overseas migration over the medium term as local firms seek overseas workers where they can't meet workforce demands locally.

Queensland's birth rate picked up during much of the pandemic period. However, with the overseas borders opened again and tightening financial conditions expected to impact household incomes, the increase in births seen during the COVID-19-period is likely to have only been temporary and is expected to unwind, with fertility rates expected to broadly return to the downward trend seen prior to the pandemic.

The population increase attributed to natural increase is forecast to broadly return to pre-COVID-19 trends.

Reflecting this combination of factors, Queensland overall population growth is expected to strengthen to 2 per cent in 2022–23, before easing to 1¾ per cent in 2023–24 and then easing further to average around 1½ per cent over the remainder of the forward estimates.

Box 2.3 Population growth in Queensland

International border closures during the COVID-19 pandemic led to slower population growth in Queensland and in Australia by historical standards. In year-average terms, Queensland's population growth slowed to 1.0 per cent in 2020–21, compared with average growth of around 1.6 per cent in the preceding 5 years.

However, Queensland's population growth recovered to 1.6 per cent in 2021–22, underpinned by a surge in net interstate migration. Queensland's relatively better health outcomes, labour market conditions and housing affordability drove this increase in interstate migration.

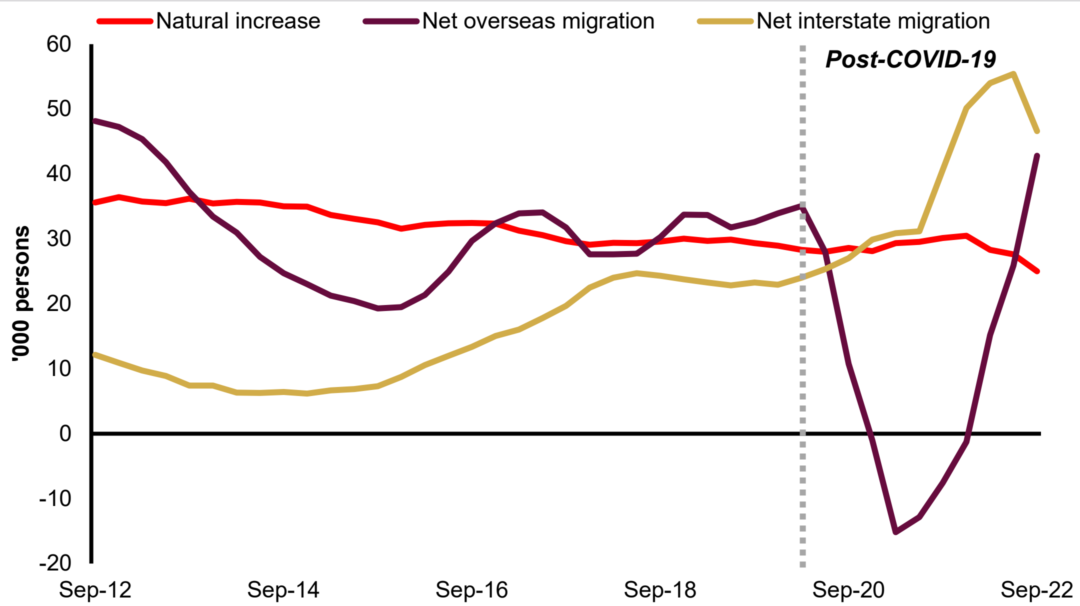
Net interstate migration is now expected to stabilise at around pre-COVID-19 levels.

Recovery in net overseas migration

Net overseas migration is now recovering following the pandemic (Chart 2.12). Overseas arrivals have returned to pre-pandemic levels, while departures are still lagging, with overseas migration is expected to be the main driver of population growth over the forward estimates.

Net overseas migration to Queensland rose by over 41,600 persons in the first 3 quarters of 2022, compared with a detraction of just under 2,400 persons over the same period in 2021.

Chart 2.12 Queensland's population growth, by component[1]



Note:

1. Four-quarter rolling sum. The dotted vertical line represents March quarter 2020.

Source: ABS National, State and Territory Population.

Reflecting these trends, Queensland's overall population growth is expected to have strengthened to 2 per cent in 2022–23 but is then expected to ease to 1¾ per cent in 2023–24 before easing further to average around 1½ per cent over the rest of the forward estimates.

Population growth across Queensland's regions

As at 30 June 2022, approximately 1.4 million people lived in local government areas (LGAs) outside of South East Queensland, accounting for 27 per cent of the state's population.

Population growth has varied across Queensland regions since the COVID-19 pandemic, with some regional LGAs growing faster than the state average, including Fraser Coast (2.8 per cent), Livingstone (2.7 per cent), Gympie (2.4 per cent) and Whitsunday (2.4 per cent).

A range of other regional LGAs have experienced more moderate, but still solid population growth, including Bundaberg (2.1 per cent), Gladstone (1.8 per cent), Cairns (1.7 per cent), Mackay (1.6 per cent) and Townsville (1.6 per cent).

Long-term population outlook

Despite the recent strength of interstate migration and the return of overseas migration, the impact of COVID-19 international border restrictions and lower fertility rates have resulted in the growth in Queensland's population over the medium to longer term now being lower than expected prior to the pandemic.

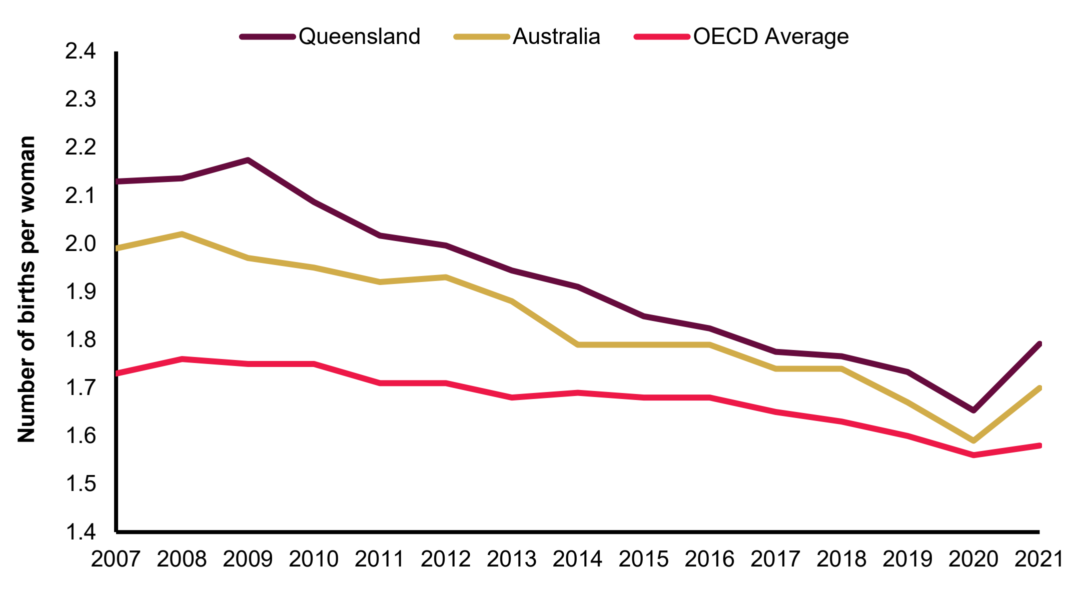
- The closure of international borders caused Queensland to record negative net overseas migration over the period from June 2020 to December 2021. This resulted in the lowest rate of population growth since World War II in 2020–21, with annual growth averaging just 0.8 per cent in both March and June quarters of 2021.
- Since peaking in the late 2000s, declining fertility has been a common trend across the world. In Australia, the total fertility rate (number of births per woman) fell from a peak of 2.02 in 2008 to 1.59 in 2020, while the OECD average fell from 1.76 to 1.56 over the same period.
- Queensland's fertility rate fell from a peak of 2.17 in 2009 to 1.65 in 2020, and fertility is expected to remain low despite a temporary increase to 1.79 observed in 2021 (Chart 2.13).

The 2018 edition of the *Queensland Government Population Projections* (the Projections) showed Queensland's population by 2036 was expected to grow by over 1.4 million people, to reach 6.7 million.

The 2023 edition of the Projections, updated by Queensland Treasury with the latest Census data and assumptions reflecting developments over the last 5 years, projects the state's population to now grow more slowly, by over 1.2 million people to 6.5 million, over the same period.

This almost 200,000 lower projected population in Queensland in the 2023 edition equates to a population approximately the size of Cairns local government area.

Chart 2.13 Total fertility rate by region



Sources: ABS and OECD.

Despite the relatively lower growth outlook, ageing of the state's population is expected to continue with the number of Queenslanders aged 65 years and over projected to grow by almost 0.5 million, to reach 1.3 million, by 2036.

Over the longer term, the population of 65+ year olds in Queensland is projected to more than double, to reach 2.3 million, over the 50 years to 2071 under the medium population series.

Budget priorities to meet the needs of state's growing population

As outlined in Chapter 1, the government's budget priorities and longer-term economic strategy are at the forefront of addressing challenges associated with the state's growing and ageing population, both now and into the future.

The government's ongoing substantial investment in education and training will ensure continued growth of a highly skilled, productive and flexible workforce across the state to meet the needs of the growing population and in the context of the ongoing transformation of the economy.

The government's record capital program of $89 billion over 4 years to 2026–27 will directly facilitate the provision of the social and economic infrastructure across the state, thereby supporting the creation of more jobs in more industries, enhancing future prosperity, and improving the standard of living for Queenslanders and communities.

In the more immediate term, the government is also providing substantial support, including through actions to improve housing affordability, to address key cost-of-living pressures facing Queensland households and small businesses.

2.5 Risks to the outlook

As outlined in the 2022–23 Budget Update, global inflation and monetary policy responses among major central banks remain the biggest risks to the global outlook.

This is particularly the case in Europe where inflation remains elevated, which is likely to attract more aggressive monetary tightening from the European Central Bank and Bank of England. This in turn may lead to a 'hard landing' in the region, which may have global repercussions, including a potential destabilisation of the financial system in some economies.

Another risk is the rising tensions between the US and China, which have already led to significant commercial sanctions according to global financial media coverage. Any resulting disruptions to supply chains in critical sectors could prolong global inflation, weaken global growth potential and may impact negatively on Australia's mineral and energy exports.

The potential escalation of Russia's military actions against Ukraine is also an ongoing risk to the outlook.

In Australia, the persistence of inflation and strength of the labour market may lead the RBA to continue monetary tightening further than currently expected, further impacting a sizeable portion of recent homeowners. If this was to eventuate, combined with the rising uncertainty of the international outlook, this could lead to weaker overall growth.

Table 2.3 Queensland economic forecasts[1], by component

	Actuals	Forecasts		
	2021–22	2022–23	2023–24	2024–25
Economic output[2]				
Household consumption	3.4	3	1¼	1¾
Dwelling investment	4.4	-5	5½	¾
New and used	5.4	2¼	5	1¾
Alterations and additions	3.4	-12½	6½	- ¾
Business investment	8.8	4¾	2	4¾
Non-dwelling construction	10.9	4¼	9¼	13½
Machinery and equipment	10.1	6¼	-4¼	-3¾
Private final demand	4.7	2	1½	2¼
Public final demand	5.6	4¼	4¾	5¼
State Final Demand	5.0	2¾	2½	3¼
Overseas goods and services exports	1.7	3½	10½	6¾
Overseas goods and services imports	8.2	11½	5½	8½
Gross state product	**4.4**	**2**	**3**	**3**
Employment	5.1	3¼	1	1½
Unemployment rate[3]	4.5	3¾	4¼	4½
Inflation[4]	5.4	7¼	3¾	3
Wage Price Index	2.5	3¾	4	3½
Population	1.6	2	1¾	1½

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. CVM, 2020–21 reference year. The comparable nominal GSP growth rates are 22.5 per cent in 2021–22, 8 per cent in 2022–23, -½ per cent in 2023–24 and 5 per cent in 2024–25. The exceptionally strong growth in 2021–22 largely reflects the impact of substantial increases in commodity prices on nominal exports.
3. Per cent, year-average.
4. Brisbane, per cent, year-average.

Sources: ABS Annual State Accounts, Australian National Accounts, Balance of Payments, 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 is committed to investing in economic and social infrastructure to meet the needs of Queensland's growing population and accelerate regional economic development through the strategic allocation of royalties and revenue uplifts. These investments will leverage Queensland's natural endowments, productive capacity and competitive advantages to deliver good jobs, better services and a great lifestyle for Queenslanders.
- An operating surplus of $12.305 billion is expected in 2022–23 driven by unprecedented strength in coal royalties, attributed to a combination of high coal prices and progressive coal royalties measures introduced in the 2022–23 Budget. This will be the largest operating surplus in Queensland history, following what was a record surplus in 2021–22.
- The surplus in 2022–23 will see the General Government Sector borrowing $11.8 billion less in that year than anticipated in the 2022–23 Budget. This has provided the opportunity to fund the state's record $89 billion capital program while maintaining debt at sustainable levels. General Government Sector debt in 2025–26 remains $2.2 billion lower than forecast in the 2022–23 Budget.
- As royalty revenue normalises, the Budget will return to modest operating surpluses across the forward estimates, other than in 2023–24. An operating deficit of $2.182 billion is expected in 2023–24, compared to the projected deficit in the 2022–23 Budget of $1.083 billion. This is in part driven by the government's significant cost-of-living relief measures, including $1.483 billion for additional electricity bill support to households and small businesses. As wages grow and inflation falls, cost-of-living pressures should ease.
- The significant program of public infrastructure investment reflects the challenges and opportunities associated with decarbonising the state's energy system, expanding the capacity of the health system, ensuring Queensland's water security, and preparing to host the 2032 Olympic and Paralympic Games.
- Queensland is well positioned to meet these challenges, with a lower General Government Sector net debt to revenue ratio than interstate peers. Queensland's ratio of 20 per cent in 2023–24 compares to 90 per cent for New South Wales and 152 per cent for Victoria.
- Sustainability risk management, including environmental, social, and governance factors, is a strategic imperative for the state. The Queensland Government publishes an annual *Queensland Sustainability Report* which sets out how the government has established its priorities and provides information on key policies being implemented and performance measures to develop a resilient and sustainable future.
- A new public sector wages offer balances the government's commitment to frontline service delivery and employee retention with disciplined management of operating expenses growth.

- Queensland's credit ratings with S&P Global (AA+) and Moody's (Aa1) remained stable through the pandemic crisis and recovery, while Fitch upgraded Queensland's rating from AA to AA+ in December 2021. Sound financial management supports the credit rating and provides the capacity to respond to future economic and financial shocks and position the economy for growth.
- Disaster events in the summer of 2022–23 followed the devastating floods of 2021–22, with recovery and reconstruction continuing to progress. Disaster related expenses over the 5 years to 2026–27 are large but will be significantly offset by Australian Government payments under disaster funding arrangements.

3.1 Fiscal outlook

The strength of the Queensland economy and continued high commodity prices have resulted in further upward revisions to revenue in the 2023–24 Queensland Budget, following the uplifts incorporated into the 2022–23 Budget and 2022–23 Budget Update. Since the 2022–23 Budget, revenue has been revised upwards by $13.736 billion in 2022–23 and $30.994 billion, or 10 per cent, over the 4 years to 2025–26. While revenue has increased significantly, expenses for 2022–23 have been managed broadly within 2022–23 Budget estimates. This has produced a substantial improvement in Queensland's 2022–23 net operating balance, from a deficit of $1.029 billion in the 2022–23 Budget to a surplus of $12.305 billion, the largest in Queensland's history.

Prudent management of the rebound in revenue forecasts has driven significant progress against the Charter of Fiscal Responsibility since those targets were set in 2021–22. The government is restoring its fiscal buffers. Over progressive budgets, temporary revenue windfalls have been targeted towards fiscal recovery and a lower reliance on debt. Queensland's General Government Sector net debt to revenue ratio in 2022–23 has been reduced from 27 per cent in the 2022–23 Budget, to just 7 per cent in this Budget. This is below pre-pandemic expectations, with the 2019–20 Budget forecasting a net debt to revenue ratio of 30 per cent in 2022–23.

This improvement means that Queensland is well placed to meet the challenges associated with the significant additional investment that is required to decarbonise the state's energy system, expand the capacity of the health system, ensure Queensland's water security and prepare for hosting the Brisbane 2032 Olympic and Paralympic Games. At the same time, continued capital investment in areas such as housing, education and transport must continue to ensure service delivery can continue to keep pace with the needs of a growing population. Queensland's total capital program over the 4 years to 2026–27 is estimated at $88.729 billion, compared to the $59.126 billion estimated capital program over the 4 years to 2025–26 in the 2022–23 Budget.

While delivery of this record capital program is challenging, the investment is necessary to ensure Queensland's continued prosperity. It can also be achieved while maintaining borrowings at sustainable levels. The ratio of net debt to revenue is expected to increase to 55 per cent by 2026–27 as a result of this significant capital investment, but remains far lower than the ratios of other states, with Victoria projecting a ratio of 172 per cent in the same year, and New South Wales projecting a ratio of 102 per cent by 2025–26. A sustainable level of borrowings means that Queensland is comparatively well positioned in an environment of increased interest rates.

While the government's $1.617 billion in new or expanded cost-of-living relief measures in 2023–24 alongside revenues normalising will result in a once-off operating deficit in 2023–24, an operating surplus is forecast in 2024–25.

Total concessions funding in 2023–24 is $8.224 billion, which represents an increase of more than 21 per cent compared with 2022–23.

Consistent with Queensland's fiscal principles, net operating surpluses from 2024–25 onward and maintaining borrowings at a sustainable level will be achieved without compromising Queensland's competitive taxation regime. The government is also ensuring that employee costs remain sustainable with a public sector wages offer that balances the government's commitment to frontline service delivery with disciplined management of operating expenses growth.

Continued careful budget management will be key to ensuring Queensland's fiscal position remains sustainable as revenues normalise and the substantial capital program is delivered, while progress is made towards medium term goals.

3.1.1 Fiscal Principles

In the 2021–22 Queensland Budget, the government set out its medium-term fiscal strategy, including a new Charter of Fiscal Responsibility (the Charter) with renewed fiscal principles with objective measures to support the restoration of fiscal buffers. An update of progress towards achievement of medium-term goals is outlined below.

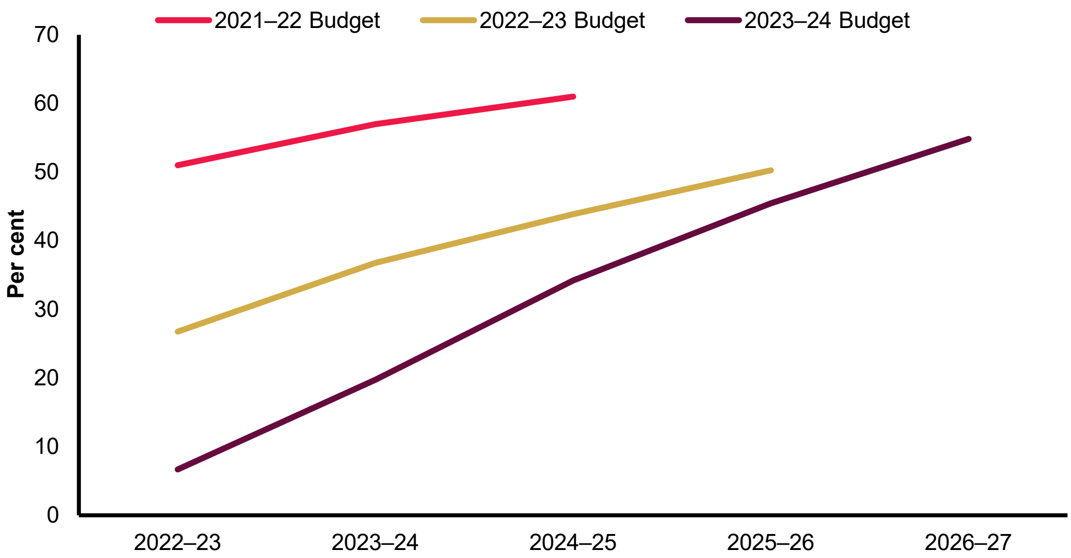
Fiscal Principle 1 – Stabilise the General Government Sector net debt to revenue ratio at sustainable levels in the medium term, and target reductions in the net debt to revenue ratio in the long term.

Ensuring debt is stabilised at a sustainable level is key to restoring the state's capacity to invest in infrastructure and respond to future external shocks.

Since the development of the new Charter, significant progress has been made against Fiscal Principle 1. Revenue strength in 2022–23 has resulted in a lower debt requirement in that year and a downwards revision to the net debt to revenue ratio of 20 percentage points since the 2022–23 Budget and 44 percentage points since the 2021–22 Budget.

The reduced debt requirement in the near term provides capacity for additional capital investment while maintaining debt at sustainable levels. By 2026–27, the ratio is forecast to reach 55 per cent, a sustainable level which is less than the 2021–22 Budget estimate for 2023–24. The ratio in 2023–24 has been revised down to 20 per cent, a 37 percentage point reduction compared to the 2021–22 Budget estimate for 2023–24.

Chart 3.1 Ratio of general government net debt to revenue



The downwards revisions to borrowings and net debt since the 2021–22 Budget are the result of prudent management of the significant, but short term, revenue uplifts experienced over progressive budget cycles. Borrowings increase over the forward estimates to fund the 4-year capital program, but the buffer created by recent debt reductions means that by 2026–27, the net debt to revenue ratio remains lower than the 2021–22 Budget estimates for 2023–24.

Queensland's net debt to revenue ratio of 20 per cent in 2023–24 compares favourably to that of its peers. The net debt to revenue ratio in 2023–24 is 90 per cent for New South Wales (2023 Pre-election Budget Update) and 152 per cent for Victoria (2023–24 Budget).

Fiscal Principle 2 – Ensure that average annual growth in General Government Sector expenditure in the medium term is below the average annual growth in General Government Sector revenue to deliver fiscally sustainable operating surpluses.

Fiscal Principle 2 provides a broad measure of expense growth management. Maintaining a lower rate of expenses growth than revenue growth will in general ensure the restoration of an operating surplus and assist debt stabilisation. In the 2023–24 Budget, revenue growth over the forward estimates continues to be affected by temporary factors causing significant volatility. Across the 4 years from 2022–23 to 2026–27, the average annual revenue growth is lower than expenses growth reflecting the short-term strength of royalty revenue. While royalties have been boosted in the last few years by high commodity prices, they are expected to normalise to around a third of 2022–23 levels by 2025–26. An adjusted measure removing royalties is therefore reported to better reflect underlying growth.

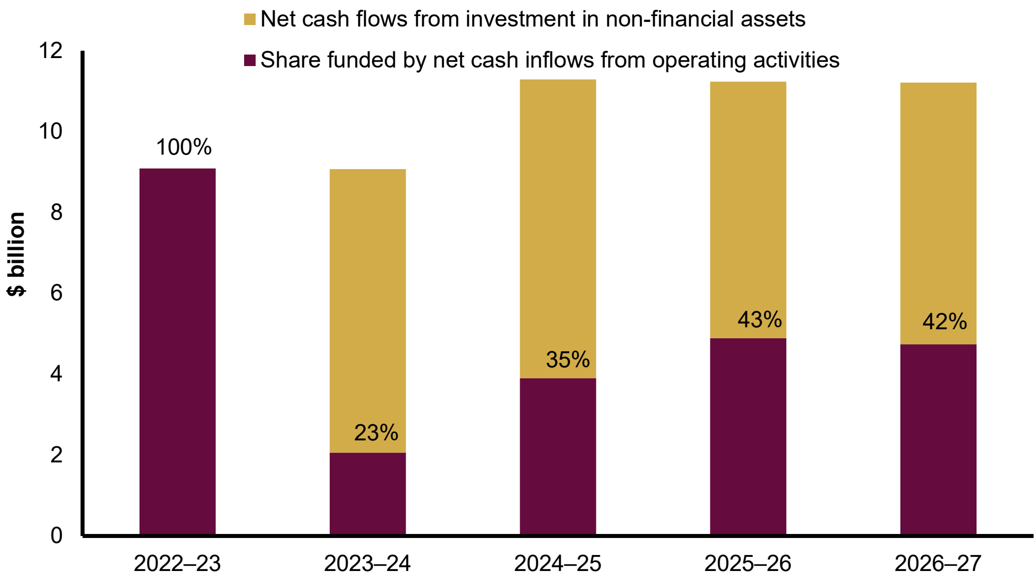
Excluding royalties revenue, revenue growth is expected to be 3.5 per cent on average across the 4 years to 2026–27, compared to expenses growth of 3.1 per cent. Over the 5 years to 2026–27, growth of 4.1 per cent is expected for revenue excluding royalties and land rents compared to 4.0 per cent for expenses.

Fiscal Principle 3 – Target continual improvements in net operating surpluses to ensure that, in the medium term, net cash flows from investments in non-financial assets (capital) will be funded primarily from net cash inflows from operating activities. The capital program will focus on supporting a productive economy, jobs, and ensuring a pipeline of infrastructure that responds to population growth.

Maintaining a capital program that will support services and jobs and enhance the productive capacity of the economy is a key priority. The $88.729 billion capital program includes additional investment in major transformative projects as well as providing the critical infrastructure that is required to support service delivery, in a challenging environment of escalating cost pressures.

Volatility in revenue growth combined with the profile of capital expenditure, which is uneven by nature, means a degree of volatility can be expected in the outcomes for Fiscal Principle 3 on an individual year basis. In 2022–23, net cash inflows from operating activities greatly exceed investments in non-financial assets. The ratio reduces to 23 per cent in 2023–24 and is expected to reach 42 per cent in 2026–27. On average across the period 2022–23 to 2026–27, 62 per cent of the capital program will be funded from net cash inflows from operating activities.

Chart 3.2 Share of General Government Sector investments in non-financial assets funded from operating cash surpluses



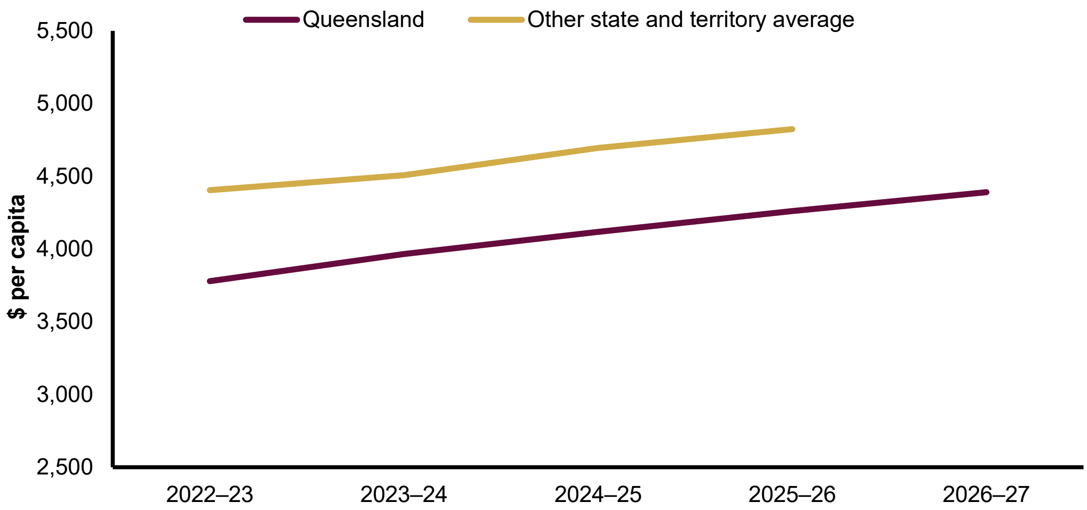
Fiscal Principle 4 – Maintain competitive taxation by ensuring that, on a per capita basis, Queensland has lower taxation than the average of other states.

This principle directly measures Queensland's competitiveness relative to other jurisdictions, providing a meaningful indication of the comparative impact of Queensland's tax regime and policies.

Based on the latest available outcomes, Queensland's taxation per capita was $720 less than the average of other jurisdictions in 2021–22. On average, Queenslanders paid $1,087 less tax than New South Wales residents and $928 less than Victorian residents.

Using the latest forecasts, Queensland's taxation per capita of $3,966 in 2023–24 compares favourably to the average of other jurisdictions of $4,507 per capita. Chart 3.3 demonstrates that Queensland is expected to maintain a highly competitive tax environment.

Chart 3.3 Taxation per capita, Queensland and other states and territories



Fiscal Principle 5 – Target the full funding of long-term liabilities such as superannuation and workers' compensation in accordance with actuarial advice.

The full funding of superannuation and other long-term liabilities is a long-standing Queensland Government priority and a key element of Queensland's financial management. The commitment to this principle continued through the economic and fiscal recovery from the COVID-19 crisis, and it remains part of the long-term fiscal strategy.

The triennial actuarial investigation of the Defined Benefit Fund as at 30 June 2021 found it to be in surplus. As at 30 June 2022, WorkCover Queensland was fully funded.

3.2 Key fiscal aggregates

The key fiscal aggregates for the 2023–24 Queensland Budget are outlined in Table 3.1.

Table 3.1 Key fiscal aggregates[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Revenue	74,185	73,886	87,623	82,079	82,102	82,858	85,591
Expenses	69,889	74,915	75,317	84,261	81,967	82,653	85,214
Net operating balance	4,296	(1,029)	12,305	(2,182)	135	206	377
PNFA[2]	7,889	8,478	9,194	9,347	11,473	11,417	11,389
Fiscal balance	(71)	(5,635)	6,786	(6,716)	(7,265)	(5,977)	(5,301)
Borrowing[3]	56,764	66,459	54,693	65,479	76,040	85,127	94,814
Net debt	10,997	19,772	5,852	16,190	28,074	37,648	46,934

Notes:
1. Numbers may not add due to rounding. Bracketed numbers represent negative amounts.
2. PNFA: Purchases of non-financial assets.
3. Comprised of borrowing with QTC, leases and similar arrangements and securities and derivatives.

3.2.1 Net operating balance

Table 3.2 compares the General Government Sector net operating balance forecasts for the previous budget with the 2023–24 Budget forecasts.

Table 3.2 General Government Sector – net operating balance forecasts

	2022–23 $ million	2023–24 $ million	2024–25 $ million	2025–26 $ million	2026–27 $ million
2022–23 Budget	(1,029)	(1,083)	137	183	..
2023–24 Budget	**12,305**	**(2,182)**	**135**	**206**	**377**

Since the 2022–23 Budget, the General Government Sector net operating balance has improved substantially in 2022–23, from a deficit of $1.029 billion to a surplus of $12.305 billion. This improvement is attributable to significantly higher revenue, especially the temporary and unprecedented strength in coal royalties. The large operating surplus is reducing the 2022–23 borrowing requirement and creating capacity for a transformative capital program while maintaining debt at sustainable levels.

A deficit is expected for a single year in 2023–24 as revenues normalise and additional funding is required for priority areas, including temporary funding to alleviate cost-of-living pressures. The government's cost-of-living relief measures in 2023–24 include $1.483 billion for additional electricity bill support to households and small businesses.

Continued revenue growth and prudent management of expenses means that Queensland remains on track to achieve a surplus in 2024–25, consistent with every forecast since the 2021–22 Budget. Continued surpluses are expected across the remainder of the forward estimates.

Queensland's net operating surplus in 2022–23 contrasts with deficits of $12.0 billion for New South Wales (2023 Pre-election Budget Update) and $10.3 billion for Victoria (2023–24 Budget). While New South Wales and Queensland both expect to achieve an operating surplus in 2024–25, Victoria does not expect to return to a surplus until 2025–26.

Table 3.3 Reconciliation of net operating balance, 2022–23 Budget Update to 2023–24 Budget[1]

	2022–23 $ million	2023–24 $ million	2024–25 $ million	2025–26 $ million
2022–23 Budget Update net operating balance	**5,180**	**(458)**	**123**	**220**
Taxation revisions[2]	1,436	1,824	1,832	1,816
Royalty revisions[2]	4,671	1,556	580	558
GST revisions	(104)	(105)	(244)	(109)
Expense measures[3]	(775)	(3,277)	(1,646)	(1,476)
Natural disaster revisions (DRFA)[4]	370	166	(243)	(212)
Net flows from PNFC and PFC entities[5]	(656)	(442)	(71)	(254)
Australian Government funding revisions[6]	420	(547)	(309)	(83)
Other parameter adjustments[7]	1,764	(898)	112	(255)
2023–24 Budget net operating balance	**12,305**	**(2,182)**	**135**	**206**

Notes:

1. Numbers may not add due to rounding. Numbers indicate the impact on the operating balance. A number in brackets indicates a negative impact on the operating balance.
2. Taxation and royalty revisions exclude impact of revenue measures contained in Budget Paper 4 (BP4).
3. Reflects the operating balance impact of government expense measures since the 2022–23 Budget Update (refer to BP4 Chapter 2 Budget Measures for details) except for Natural disasters and Transport Service Contract measures which are included elsewhere in the reconciliation, as per footnotes 4 and 5.
4. Net impact of Disaster Recovery Funding Arrangements.
5. 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.
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.

Impact of disaster recovery on the net operating balance

Significant flood events in the 2021–22 and 2022–23 disaster season have meant that related expenses and the impact of Australian Government payments for Disaster Recovery Funding Arrangements (DRFA) materially affect the net operating balance. Box 3.1 details the financial impact of the flood events and reports on progress on initiatives to support community recovery and resilience. Table 3.4 details the impact of disaster expenses and DRFA on the net operating balance. While disaster expenses of $4.447 billion are expected in total over the forward estimates, the majority is offset by $3.356 billion disaster related revenue.

Table 3.4 Impact of disaster funding on the net operating balance[1,2]

	2022–23 $ million	2023–24 $ million	2024–25 $ million	2025–26 $ million	2026–27 $ million
Net Operating Balance	**12,305**	**(2,182)**	**135**	**206**	**377**
less Disaster revenue	623	1,849	884	..	..
add Disaster expenses	1,099	1,728	1,316	212	92
Underlying Net Operating Balance	**12,781**	**(2,303)**	**567**	**418**	**469**
Disaster capital expenditure	138	268	270	234	..

Notes:

1. Numbers may not add due to rounding.
2. The disaster revenue and expenditure shown above include estimates from events prior to 2022–23 and so exceed estimates for those occurring in the summer of 2022–23.

Box 3.1 2022–23 Disaster Season

The summer of 2022–23 has seen the state impacted by 7 disaster events, including long-term and record-breaking flooding in North West Queensland that forced evacuations and isolated already remote townships, including Burketown, Doomadgee and Urandangi.

Of Queensland's 77 local government areas, 55 have been activated for joint State-Commonwealth Disaster Recovery Funding Arrangements (DRFA) assistance to provide support to individuals, families, businesses, primary producers and other organisations directly affected by the disasters.

Early indications suggest the cost of recovery and reconstruction from the flooding events under the DRFA for the summer of 2022–23 will be more than $500 million, coupled with complex recovery needs given the extended duration, scale of impact of the flooding, and remoteness of affected communities.

To support initial recovery, several extraordinary measures were immediately made available through the jointly funded DRFA, including personal hardship assistance for individuals and families, recovery grants for local governments, primary producers and small businesses, community mental health and coordinated livestock and carcass disposal support packages.

During 2022–23, the state continued to progress recovery following the devastating floods of 2021–22. Along with mobilisation of reconstruction efforts, the joint state and Australian Government $2.1 billion extraordinary assistance package was implemented to assist ongoing recovery, with a focus on the health, wellbeing, and resilience of communities, sustaining medium size businesses and tourism, restoring the environment, repairing community and recreational assets, supporting community development and ensuring essential public assets can be built back better. The total recovery and reconstruction cost for the 2021–22 disaster season is estimated at $4.5 billion.

A core component of the packages, the innovative $761.6 million Resilient Homes Fund has seen offers accepted for the voluntary buy-back of more than 350 homes at high risk of repeated flooding, and demolition commence of initial purchased properties.

The government will also provide additional funding of $152 million over 3 years for a suite of programs and projects selected in accordance with the Disaster Recovery Funding Arrangements Efficiencies Framework to enhance Queensland's disaster resilience, mitigate risk and create stronger and safer communities.

While the impact of the disaster events of 2021–22 and 2022–23 will be felt for many years across the entire state, efforts to build resilience and support community recovery mean that Queensland will be even better placed to handle future inevitable disasters.

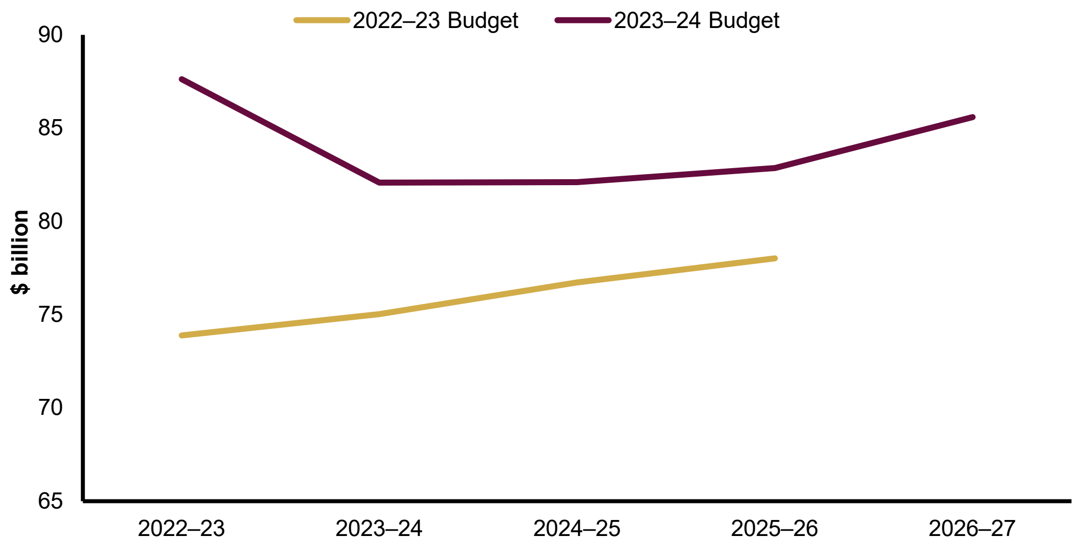
3.2.2 Revenue

General Government Sector revenue is estimated to total $87.623 billion in 2022–23, $13.437 billion higher than 2021–22. This is $13.736 billion higher than estimated in the 2022–23 Budget, driven largely by a $10.462 billion increase in royalties, reflecting the extraordinary strength in coal and oil prices across 2022 and early 2023. Taxes are also $1.721 billion higher, reflecting the strength of domestic economic activity and labour market performance, while GST has increased $586 million due primarily to a larger GST pool.

In 2023–24, royalties are expected to be $10.982 billion lower than in 2022–23, reflecting the expectation that currently elevated prices for coal and oil continue to return to levels more consistent with medium term expectations. In total, revenue is forecast to decline by $5.544 billion in 2023–24, with the decrease in royalties expected to be partially offset by a $2.095 billion increase in Australian Government grants, and a $1.080 billion increase in GST revenue.

In total over the 4 years to 2025–26, strong economic conditions and the temporary uplift to royalties means that General Government Sector revenue is forecast to be $30.994 billion, or 10 per cent, higher than forecast in the 2022–23 Budget.

Chart 3.4 Comparison of revenue forecasts



Further detail on revenues is provided in Chapter 4.

3.2.3 Expenses

Expenses in the 2023–24 Queensland Budget reflect the government's commitment to deliver better services to improve the lives of Queenslanders, support the state's growing population and economic growth. Additional initiatives in the Budget are targeted to address areas of community need including support to alleviate cost-of-living pressures in 2023–24, while ensuring that fiscal targets, such as the achievement of an operating surplus in 2024–25, continue to be met.

On average, General Government Sector expenses are forecast to increase by 3.1 per cent per annum over the 4 years to 2026–27. Excluding the extraordinary impact of volatile royalty revenue, this is lower than the forecast annual increases in revenue of 3.5 per cent over the same period and is consistent with Fiscal Principle 2.

Key new initiatives in the Budget include:

- an uplift of $2.888 billion in additional health operational growth funding over 5 years from 2022–23 to meet demand and cost pressures. This uplift will also support significant actions across the health system targeting improving ambulance responsiveness and reduce ramping, addressing pressures on emergency departments, reducing wait times for surgery and specialist clinics, as well as boosting women's health care and mental health care
- $1.483 billion for additional electricity bill support to households and small businesses facing cost-of-living pressures
- $645 million over 4 years from 2023–24 to provide 15 hours per week of free kindergarten from January 2024 for all 4-year-old Queensland children

- $586.1 million towards a new 10-year agreement with LifeFlight Australia
- over $150 million over 5 years to provide temporary accommodation and to extend and enhance housing and homelessness services
- $96.2 million over 4 years and $17.9 million ongoing to continue the co-responder model to deal with or divert high risk young people, including to expand Youth Co-responder Teams into Toowoomba, Fraser Coast, Mount Isa, Ipswich and South Brisbane
- $16.3 million for a package of measures to support women's economic security, including grants, training, and increased investment for women in male dominated industries, women in business and innovation and disadvantaged and vulnerable women.

Employee expenses and certified agreements

Salaries and wages form a large proportion of General Government Sector expenses, with increases in salaries and wages negotiated through certified agreements. Maintaining an effective public service relies on attraction and retention strategies based on competitive remuneration and employment conditions. These need to be balanced with disciplined management of growth in operating expenses that supports fiscal sustainability and meeting fiscal goals in the medium term, particularly as employee expenses form a large proportion of General Government Sector expenses.

With the majority of public sector certified agreements nominally expiring during 2022 and 2023, the government established a public sector wages policy of 4 per cent headline wage increases in the first 2 years and 3 per cent in year 3, which recognises prevailing economic circumstances while keeping expenses growth sustainable. A Cost of Living Adjustment will also be payable where inflation exceeds headline wages increases established in agreements, capped at 3 per cent of base wages. Chapter 5 provides more detail on the public sector wages policy, superannuation arrangements and employee expenses.

3.2.4 Investment

Queensland's total capital program has increased from an estimated $59.126 billion over the 4 years to 2025–26 in the 2022–23 Budget, to $88.729 billion over the 4 years to 2026–27. The updated capital program responds to a range of challenges that must be met to continue to support ongoing economic growth, meet renewable energy targets and ensure future prosperity while delivering the infrastructure that is needed to maintain critical services. Key areas of focus in the forward estimates period and over the medium term include:

- transforming Queensland's energy system through the *Queensland Energy and Jobs Plan*
- expanding the capacity of the health system, delivering the new infrastructure and increased number of beds to deliver better services
- safeguarding Queensland's future water security and flood resilience
- delivering the infrastructure required to support the successful hosting of the Brisbane 2032 Olympic and Paralympic Games.

As well as further progressing these key priority areas, the capital program must respond to unavoidable cost pressures in the current environment to ensure that critical infrastructure is provided when it is needed, and longer-term priorities remain on track. While growing demand for capital and constrained market conditions present a challenge for the capital program, continuing to deliver the infrastructure that is needed is a priority to support service delivery and avoid the potential negative economic consequences of not making necessary investments.

Queensland's long-term capital planning provides a clear roadmap for the investment required to support growth. Sustainability risks (including environmental, social and governance factors) and Queensland's sustainability priorities are an integral part of longer-term investment planning and budget decisions. This is detailed in Box 3.2.

Queensland Energy and Jobs Plan

The *Queensland Energy and Jobs Plan* (QEJP) outlines the state's pathway to transform the energy system over the next 10 to 15 years to deliver clean, reliable, and affordable power, creating a platform for strong economic growth and continued investment.

The Plan charts an ambitious infrastructure investment pathway to 2035, including two large-scale pumped hydros in regional Queensland, 22 gigawatts of new renewable energy, and major new transmission lines across the state which will form Queensland's SuperGrid.

In total, the 2023–24 Budget includes a landmark capital investment of around $19 billion across the forward estimates to support the QEJP.

The government's publicly owned energy businesses are leading Queensland's energy transformation, investing in new wind, solar, storage and transmission, supported by the $4.5 billion Queensland Renewable Energy and Hydrogen Jobs Fund.

To date, $2.7 billion has been allocated from the Fund. This includes $192.5 million towards Stanwell's investment in the 252-megawatt (MW) Wambo Wind Farm near Dalby, and $776.1 million towards Stanwell's 500 MW Tarong West Wind Farm near Kingaroy. CS Energy is being supported for renewables investments in Central Queensland, including $564 million from the Fund for wind developments.

The government has also allocated $300 million to CS Energy for energy projects supporting decarbonisation in Central Queensland as well as $500 million to CleanCo to support 2.3 gigawatts of renewables projects in Central Queensland.

Throughout the transformation, the government is committed to maintaining public ownership of energy assets and supporting impacted communities and workers through a range of initiatives, including a $150 million Job Security Guarantee Fund to support affected energy workers through the transformation.

Health capacity expansion

In the 2022–23 Budget, the Queensland Government provided a significant capital boost of $9.785 billion over 6 years to deliver around 2,200 additional overnight beds at 15 facilities across the Queensland health system. In 2023–24, Queensland Health will continue the delivery of this ambitious program, which has now awarded more than $3 billion of contracts to deliver expansions in Brisbane, Ipswich, Mackay, Logan, Townsville and Cairns.

Other major projects commencing or continuing during 2023–24 include:

- opening all 7 Satellite Hospitals at Caboolture, Kallangur, Ripley, Eight Mile Plains, Tugun, Bribie Island and Redlands in 2023–24
- completion of major expansions at Caboolture and Logan Hospitals
- $150 million for a new mental health facility as part of the staged expansion of Redland Hospital.

Water capital expenditure

A significant capital program is planned by the Public Non-financial Corporations water sector over the 4 years to 2026–27 focused on delivering additional water supply and fortifying the flood resilience of water infrastructure. A major driver of this is Seqwater, Sunwater and Gladstone Area Water Board's respective Dam Improvement Programs, which aim to ensure the safety and reliability of state-owned dams so they continue to operate safely during extreme weather events. In 2023–24, $155.8 million will be invested for planning and early works on improvements to Paradise, Burdekin Falls, Somerset, Wivenhoe, North Pine, Lake Macdonald and Awoonga dams.

Major projects commencing or continuing during 2023–24 include:

- a further $440 million commitment, on top of an existing $100 million, has been provided towards Sunwater's Burdekin Falls Dam Improvement and Raising Project, improving and raising the dam by two meters to further support water security
- progression of the $983 million Fitzroy to Gladstone Pipeline to provide long term water security to Gladstone's large industrial base and its urban areas with $548.5 million in 2023−24
- continued construction of the $568.9 million Rookwood Weir with Sunwater expected to spend a further $156.7 million in 2023−24
- advancing planning and preconstruction activities on the $1.2 billion Paradise Dam Improvement Project, supported by $600 million commitments each from the Queensland and Australian Governments, with $116.4 million in 2023−24
- the delivery of the $273.1 million Toowoomba to Warwick Pipeline, part of a more than $300 million investment into water security in the Toowoomba and Southern Downs regions with $13.4 million in 2023−24
- progressing the $128.4 million Mount Crosby Flood Resilience Program to reduce the flood risk of critical bulk water infrastructure with $24.3 million in 2023−24

- completion of the $95.2 million South West Pipeline connecting Beaudesert to the South East Queensland Water Grid with $24.4 million in 2023−24.

Brisbane 2032 Olympic and Paralympic Games

The 2023–24 Queensland Budget includes funding to continue to support preparations for the Brisbane 2032 Olympic and Paralympic Games (Brisbane 2032).

The Budget has provisions for total capital expenditure for Brisbane 2032 venues infrastructure of $7.1 billion over 10 years. This venues infrastructure program is jointly funded by the Queensland and Australian Governments to support the hosting of Brisbane 2032. The allocation of funding for specific venues projects will be subject to government investment decisions following completion of project assessment activities.

The venues infrastructure program comprises the Brisbane Arena ($2.5 billion), the Gabba Redevelopment ($2.7 billion) and 16 new or upgraded venues under the Minor Venues Program ($1.9 billion). Of this, total forecast expenditure over 4 years to 2026–27 is $1.9 billion.

The Budget also includes $44 million as the state's contribution to the University of Queensland's proposed Paralympic Centre of Excellence as part of the Brisbane 2032 Legacy Plan. A further $154.7 million is provided over 4 years from 2024–25 for Economic Development Queensland to deliver public infrastructure to facilitate the development of services and land for the Brisbane Athlete Village.

Social housing

The 2023–24 Queensland Budget is providing increased funding of $1.1 billion for the delivery and supply of social housing across Queensland through the *Housing and Homelessness Action Plan (2021–2025)*, including to meet higher construction costs and to boost the QuickStarts Queensland program target by 500 homes, bringing it to 3,265 social housing commencements by 30 June 2025.

At the Queensland Housing Summit in October 2022, the Queensland Government also boosted the Housing Investment Fund (HIF) to $2 billion. Under the expanded HIF, $130 million per annum is available to support an increased target of 5,600 new social and affordable home commencements by 30 June 2027.

This brings the total investment in social housing to $5 billion for delivery of social and affordable housing, and housing and homelessness support, including $3 billion funding to support the *Housing and Homelessness Action Plan 2021–2025* and $2 billion investment for the Housing Investment Fund.

Support for service delivery

At the same time as delivering significant transformative investment projects, the capital program must continue to support growing service delivery needs. Other key capital investments in 2023–24 include:

- $6.946 billion investment in transport infrastructure. This includes $829.2 million to continue construction work on Cross River Rail, $200 million to commence the Queensland Train Manufacturing Program and substantial ongoing investment to fund major upgrades to the M1 Pacific Motorway, the Bruce Highway and continuing the construction of Stage 3 of the Gold Coast Light Rail
- $1.5 billion to ensure that facilities in Queensland's state schools are world class and continue to meet demand and support contemporary learning requirements. Investment in new schools is being facilitated through the $3 billion Building Future Schools Fund.

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

Box 3.2 Environmental, Social and Governance Credentials

The Queensland Government recognises that establishing and maintaining strong environmental, social, and governance (ESG) credentials is central to achieving sustainable development outcomes and driving the future competitiveness of Queensland business and industry.

In this context, the government is cognisant of identifying and mitigating potential sustainability risks, including through proactive actions and investments to enhance Queensland's strong ESG standards.

Sustainability risks describe ESG factors that can materially impact the community, economy and government.

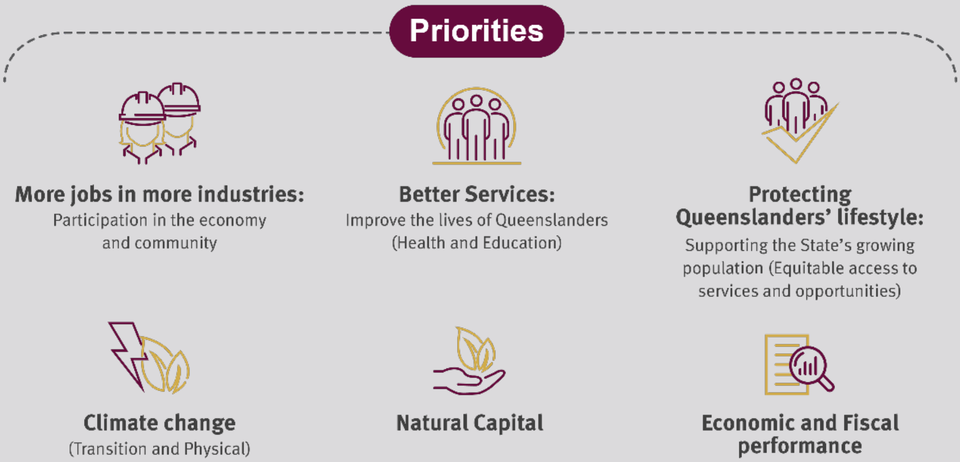
Increased community and financial market focus on understanding potential material impacts of ESG factors have arisen from heightened global integration and heightened awareness of the impacts of climate change.

Sound financial and risk management requires the government to recognise and manage all issues that can materially impact the Queensland economy and the government's fiscal position.

Queensland has identified several material sustainability risks and is proactively implementing policy initiatives to manage them.

ESG Factor	Policy initiatives taken to -
Climate change	Transition to a low carbon future, by lowering greenhouse gas emissions. Address the physical impacts arising from climate change by embedding adaption and resilience
Natural capital	Manage the balance of resources used between industry, the community and safeguarding the natural environment. This includes surface and underground water management, biosecurity, aquaculture, forestry management and environmental protection.
Social	Support an educated, healthy, and skilled community, through education, health services, social welfare, public order, diversity and opportunity, cyber security and safety.
Governance (Economic and fiscal)	Provide robust frameworks that support Ministers and accountable officers to provide oversight and discharge their obligations. Strong economic and fiscal management is fundamental to achieving government's objectives and good governance.

The Queensland Government has embedded sustainability considerations into policy and budget settings to promote sustainable economic growth and development for better communities now and into the future. At the centre of this are Queensland's sustainability priorities.



The state is advancing its Sustainability Priorities by leveraging Queensland's economic strengths and competitive advantages to drive a growing, innovative economy and job creation. Achievement of these sustainability priorities are at the centre of the state ESG credentials, one of the enablers of the state economic strategy.

Strong economic outcomes provide government with the fiscal capacity to take positive actions and deliver continued targeted investment in climate change transition, social services and reforms that strengthen communities and support vulnerable Queenslanders.

Positive action includes:

- Queensland's Economic Strategy to drive economic growth into the future
- maximising opportunities for Queensland's economy and industries based on Queensland's competitive and comparative advantages
- supporting innovation and new technology
- providing a Just Transition through assistance or support programs for impacted industries, workers and communities
- advancing social cohesion.

By implementing initiatives that attract investment and promote innovation, as well as focusing on economic opportunities and enablers aligned with long-term sustainability goals, the government is building a prosperous and sustainable future.

The *Good People, Good jobs: Queensland Strategy 2022–2032* will be central to ensuring the skills and capabilities of the state's workforce are a critical economic enabler to realising the state's economic opportunities.

The government is building a bigger Queensland to deliver an expansion to the health system, expansion to social and affordable housing, decarbonise the state's energy system, improve water security and prepare for the Brisbane 2032 Olympic and Paralympic Games.

By supporting economic growth through enablers and settings that will improve Queensland's productivity the state will deliver sustained increases in real wages and ease cost-of-living pressures over the longer term and support improved standards of living for all Queenslanders.

The *Queensland Climate Action Plan 2030* outlines the state's investments and actions to reach its emissions and renewable targets, create jobs and drive economic growth. This Budget backs the state's ongoing decarbonisation agenda through funding of $520 million to deliver the Low Emissions Investment Partnerships program.

Sustainability risk management is a strategic imperative for the state, with transparency in reporting sitting at its core. The government's proactive and transparent approach to the management of sustainability risks and opportunities is underpinned by its fiscal strategy and financial risk management framework.

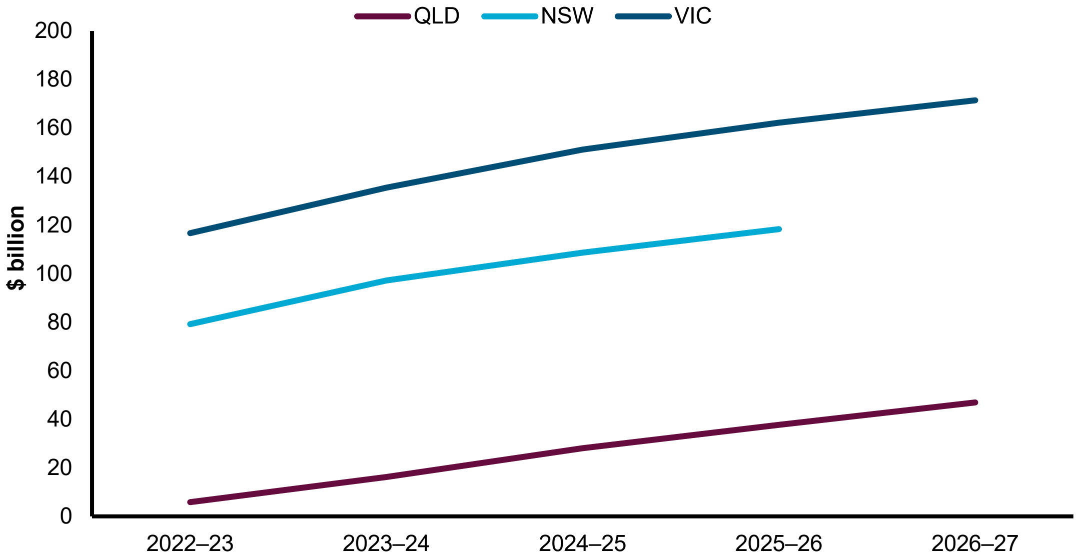
The Queensland Government publishes an annual *Queensland Sustainability Report* which sets out how the government has established its priorities for and approach to managing sustainability risks, provides information on key policies being implemented and reports against performance measures.

3.2.5 Borrowings and net debt

Over successive budgets, the government has worked to limit the legacy impacts of the COVID-19 crisis on borrowings and fiscal sustainability. Prudent use of temporary revenue uplifts has gradually shifted 2022–23 net debt forecasts from 51 per cent of revenue in the 2021–22 Budget, to 27 per cent of revenue in the 2022–23 Budget, to just 7 per cent in this Budget. This represents a $27.474 billion reduction in expected General Government net debt in 2022–23 since the 2021–22 Budget.

The delivery of the government's transformative capital program combined with ongoing global cost escalation means that borrowings will increase over the forward estimates period. However, the reductions to estimated debt that have been achieved in the near term mean that Queensland is well positioned to meet these challenges, with forecast debt levels that continue to compare well to peers. Forecast net debt of $37.648 billion in 2025–26 compares to $118.352 billion for New South Wales (2023 Pre-election Budget Update) and $162.202 billion for Victoria (2023–24 Budget).

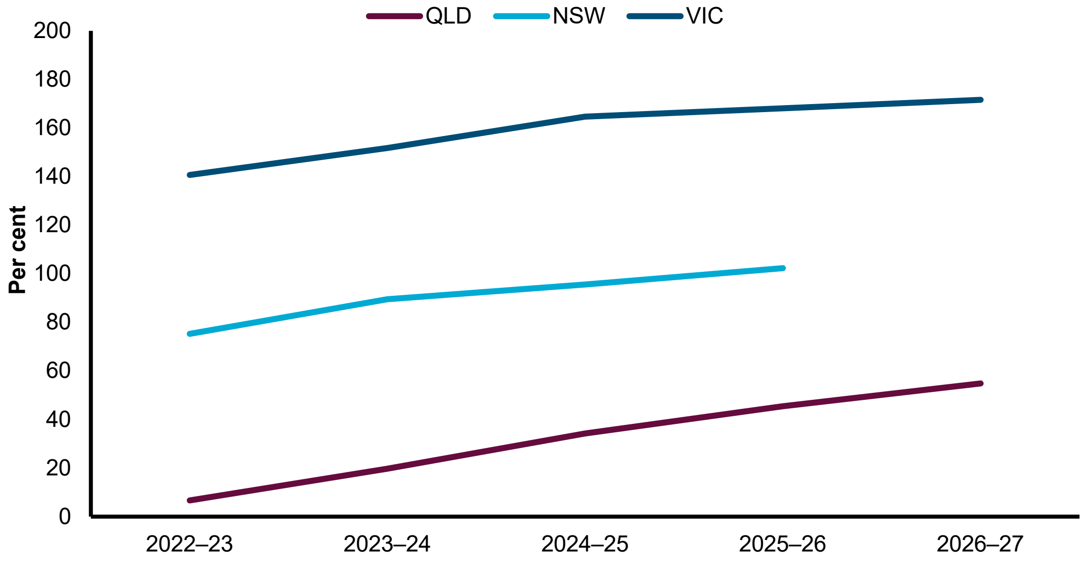
Chart 3.5 State comparison of General Government Sector net debt



Source: 2023 Pre-election Budget Update for NSW, 2023–24 budgets for Queensland and Victoria.

Relative to revenue, Queensland's net debt forecast of 45 per cent in 2025–26 compares to 102 per cent for New South Wales and 168 per cent for Victoria.

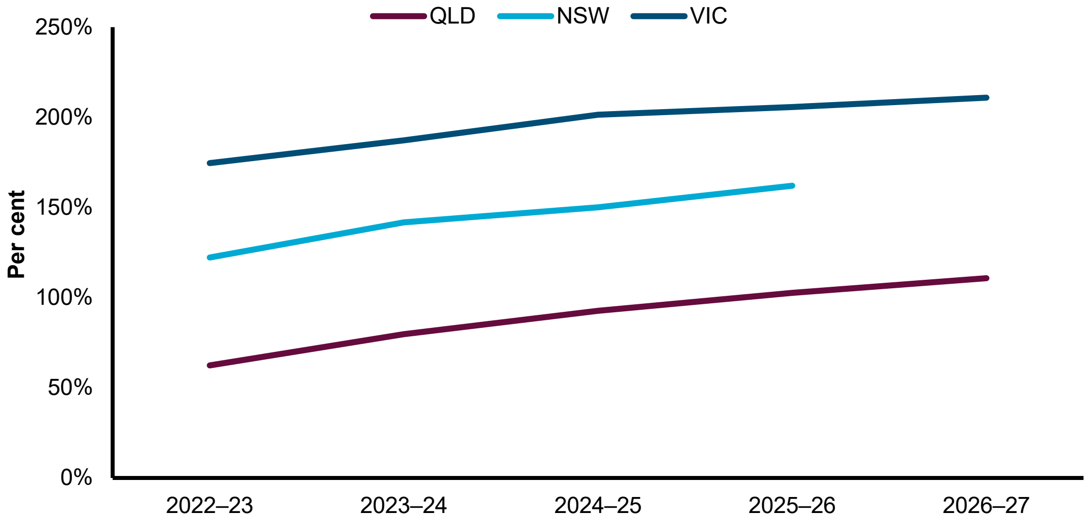
Chart 3.6 State comparison of General Government Sector net debt to revenue



Source: 2023 Pre-election Budget Update for NSW, 2023–24 budgets for Queensland and Victoria.

Total General Government Sector borrowings are expected to be $8.745 billion lower at 30 June 2024 than forecast in the 2022–23 Budget and remain $2.158 billion lower by 30 June 2026. General Government Sector borrowings also compare well to interstate peers. Queensland's forecast borrowings of $85.127 billion in 2025–26 are far lower than those of New South Wales ($187.490 billion, 2023 Pre-election Budget Update) and Victoria ($198.473 billion, 2023–24 Budget) in both absolute terms and as a percentage of revenue.

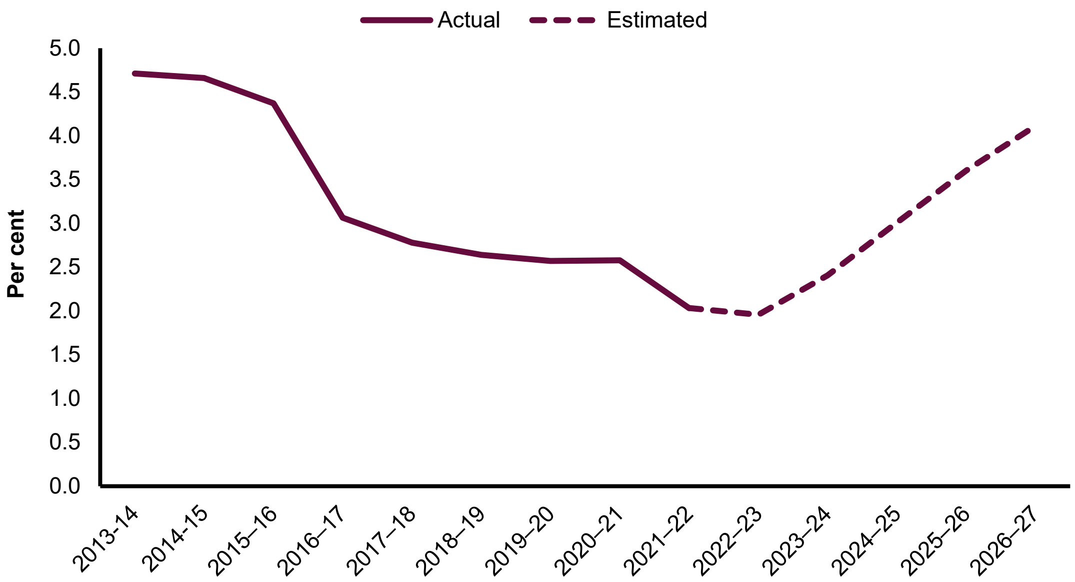
Chart 3.7 Interstate comparison of General Government Sector borrowings to revenue



Source: 2023 Pre-election Budget Update for NSW, 2023–24 budgets for Queensland and Victoria.

Reductions to Queensland's General Government Sector borrowings in the near term are particularly important in light of the risk of increasing debt servicing costs. Queensland's lower levels of debt compared to other states means it is less exposed to future interest rate rises. While Queensland's borrowing costs are increasing as borrowings increase to fund investment, the costs remain manageable. In 2023–24, General Government Sector interest expenses are expected to be around 2.4 per cent of revenue. By 2026–27, interest expenses are expected to increase to 4.1 per cent of revenue, which remains below the peak of 4.7 per cent in 2013–14 (Chart 3.8).

Chart 3.8 General Government Sector ratio of borrowing costs to revenue



Queensland's credit ratings

Queensland's credit rating is stable with S&P Global (AA+), Moody's (Aa1) and Fitch (AA+). Fitch upgraded Queensland's rating from AA to AA+ in December 2021 driven by an upwards reassessment of the state's risk profile to 'Stronger' and a debt sustainability score in the 'a' category. These ratings outcomes are supported by the diversity and strength of Queensland's economy and effective financial management, including the government's commitment to restoring a strong budgetary performance and maintaining borrowings at a sustainable level. The establishment of the Queensland Future Fund – Debt Retirement Fund also demonstrated a commitment to active debt management and supports Queensland's credit rating.

In August 2022, Moody's affirmed Queensland's rating at Aa1 (stable), noting that Queensland's credit strengths are its mature institutional framework and strong governance, which underpin fiscal strength and flexibility, and its large and diverse economic base. The stable outlook reflects that fiscal buffers have largely been rebuilt post-pandemic stimulus, and Moody's expectation that the state's economy will continue to underpin its capacity to service its debt burden.

S&P Global affirmed Queensland's AA+ (stable) rating in April 2023, reflecting that the economy continues to outpace the national average and that liquidity remains exceptional even as debt levels rise due to infrastructure spending. Experienced financial management supports the ratings and delivery of the state's capital program.

Fitch affirmed Queensland's rating at AA+ (stable) in August 2022, reflecting their view that Queensland's economy and fiscal performance will continue to recover from the disruption caused by the pandemic, including prudent economic and financial management and strong outcomes in the near term for commodity exports. Debt is expected to remain manageable as investment in key services increases borrowings.

3.2.6 Emerging Fiscal Pressures

Beyond general uncertainties related to budget parameters assumptions, key emerging fiscal issues 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
- impacts of Australian Government changes to state shares of GST: risks to the longer-term outlook for Queensland's GST revenue resulting from the changes made to the system of GST revenue distribution by the Australian Government in 2018. Further information on GST arrangements is provided in Box 4.6
- adverse weather events are likely to occur in the future with the resulting damage expected to impact on the delivery of state initiatives, noting disaster-related expenses are shared with the Australian Government under DRFA
- challenges arising from delivering significant capital investment in the medium term, including the transformation of the energy system away from a reliance on coal-fired generation, meeting future water demand and providing drought contingency, and preparing to host the Brisbane 2032 Olympic and Paralympic Games.

4 Revenue

Features

- The strength of the Queensland economy, including the state's strong labour market performance, combined with the exceptionally high prices that have continued to be received by Queensland's coal producers since late 2022, has resulted in higher than previously expected state revenues in 2022–23.
- However, as the extraordinary and temporary high coal prices normalise, total key state revenues (taxes, royalties and GST) are expected to decline substantially in 2023–24 and remain at more moderate levels across the later years of the forecast period.
- General Government Sector revenue is estimated to total $87.623 billion in 2022–23, up $13.437 billion (18.1 per cent) compared with 2021–22. This is $13.736 billion (18.6 per cent) higher than estimated in the 2022–23 Queensland Budget, with this upward revision largely driven by:
  - a $10.462 billion increase in royalties, reflecting the extraordinary strength in coal and oil prices across 2022 and early 2023
  - a $1.721 billion increase in taxation, reflecting the strength of domestic economic activity and the state's exceptional jobs growth and labour market performance
  - a $586 million increase in GST, driven primarily by a larger national GST pool.
- In 2023–24, General Government Sector revenue is estimated to total $82.079 billion, a decrease of $5.544 billion (6.3 per cent) compared with 2022–23. This decline largely reflects a substantial decline in royalties, as the temporary surge in coal prices begins to unwind and return towards medium-term expectations.
- Total key revenues are then expected to grow by an average of 1.9 per cent over the 3 years to 2026–27, reflecting average annual growth in taxation of 5.0 per cent and GST of 1.0 per cent across that period. However, this growth in tax and GST is partially offset by an expected further decline in royalties as coal and oil prices continue to normalise.
- Australian Government payments to Queensland in 2023–24 are expected to total $39.3 billion, an increase of $3.175 billion (8.8 per cent) compared with payments in 2022–23. This includes an increase in GST revenue, which is expected to be 5.9 per cent higher than in 2022–23, due primarily to higher national GST collections.
- Importantly, Queensland is maintaining its competitive tax status, with per capita state tax estimated to be $720 below the average of other states and territories in 2021–22.
- The government has extended the payroll tax discount for regional employers into the longer term, out to 30 June 2030, and the 50 per cent payroll tax rebate on wages for apprentices and trainees until 30 June 2024. A package of land tax concessions is also being provided to eligible Build to Rent developments to help drive the provision of increased rental supply and affordable dwellings for Queenslanders.

4.1 2022–23 Estimated actual

General Government Sector revenue is estimated to be $87.623 billion in 2022–23, $13.736 billion (18.6 per cent) higher than forecast at the time of the 2022–23 Queensland Budget.

The substantial upward revision compared with the 2022–23 Queensland Budget estimate is largely driven by:

- a $10.462 billion increase in royalties, reflecting higher-than-expected global coal and oil prices being received by Queensland's key commodity producers
- a $1.721 billion increase in taxation revenue, reflecting the strength of domestic economic activity and the state's exceptional jobs growth and labour market performance
- a $586 million increase in GST, driven primarily by a larger national GST pool.

The total General Government Sector revenue expected in 2022–23 represents growth of 18.1 per cent compared with 2021–22.

Total key revenues of taxes, GST and royalties are estimated to be 26.8 per cent higher in 2022–23 compared with 2021–22, reflecting:

- higher coal royalties, due to a sustained period of high global coal prices in combination with the new progressive coal royalty rates announced in the 2022–23 Queensland Budget, which ensure Queenslanders receive a fairer return on this valuable non-renewable resource during periods when coal producers are receiving extraordinary prices and revenues
- a 14.4 per cent increase in GST revenue, primarily driven by a larger national GST pool, reflecting the exceptional strength of consumption expenditure nationally.

However, growth in key state revenues is expected to moderate significantly in later years from the strength seen in 2021–22 and 2022–23.

In particular, the substantial increases in royalties experienced in 2021–22 and 2022–23, due to the unprecedented high coal and oil prices, are only temporary and are not expected to be repeated over the forward estimates as coal and other commodity prices normalise.

4.2 2023–24 Budget and outyears

General Government Sector revenue is forecast to decline by $5.544 billion (6.3 per cent) in 2023–24, to be $82.079 billion, as outlined in Table 4.1. This decline in revenue is:

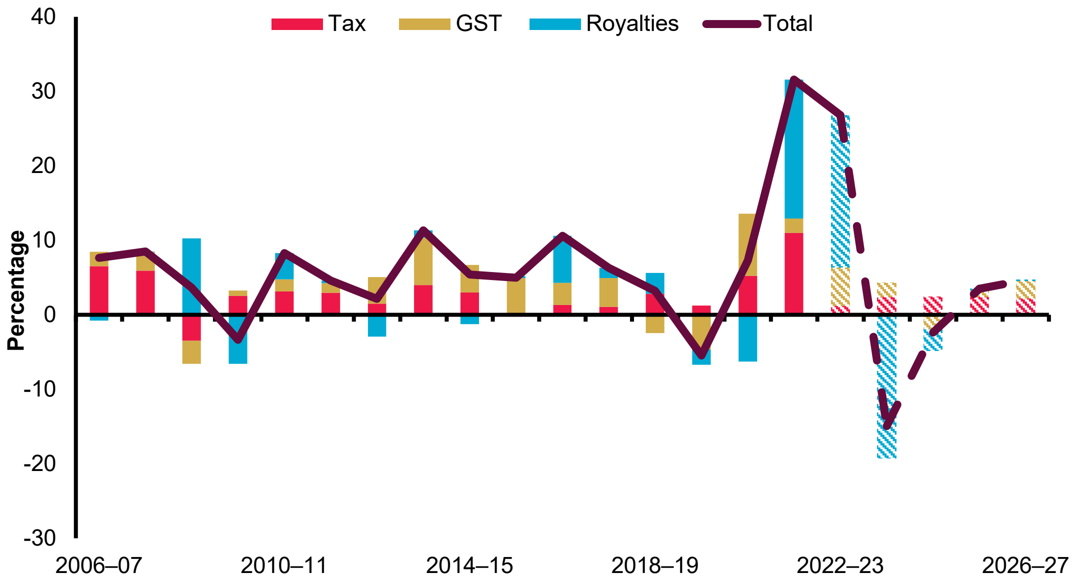
- due to a $10.982 billion fall in royalties, reflecting the expectation that the currently elevated prices for coal and oil return to levels more consistent with medium term expectations
- expected to be partially offset by a $2.095 billion increase in Australian Government grants, a $1.080 billion increase in GST revenue, and a $1.374 billion increase in taxation revenue.

Total key revenues are forecast to decline by 14.9 per cent in 2023–24 as royalty revenue normalises.

In 2024–25, total key revenues are expected to begin to stabilise (declining by around 2 per cent) with an expected decline in GST revenue being offset by an expected increase in taxation revenue, due to modest ongoing growth in transfer duty and continued strength in the labour market supporting payroll tax. Following this period of adjustment, all key revenues are expected to grow in the years beyond 2024–25.

Chart 4.1 outlines the growth in revenue across the 3 key revenue streams and the share of growth attributable to each item across the period to 2026–27.

Chart 4.1 Annual growth in key revenues[1]



Note:

1. Annual contribution to growth in key revenues. Total is the annual growth of the sum of the 3 categories.

Taxation revenue is forecast to grow by 4.9 per cent per annum on average over the period 2021–22 to 2026–27. This reflects strong growth in land tax and payroll tax, along with the impact of revenue measures, including the mental health levy, introduced in the 2022–23 Queensland Budget. The growth profile for taxation revenue over this period also reflects the fact that transfer duty revenue is coming off a very high base in 2021–22, having more than doubled over the preceding 2 years as a result of the exceptional cyclical strength in property markets.

Royalties are expected to decline by 60.7 per cent in 2023–24, and then decline by a further 19.6 per cent in 2024–25. This reflects the expectation that coal and oil prices will return from recently elevated levels to more sustainable levels in 2024.

Royalties are then expected to grow by 1.7 per cent in 2025–26 and 0.9 per cent in 2026–27, primarily reflecting an expected modest increase in coal export volumes over time.

Queensland's GST revenue is estimated to grow by 5.9 per cent in 2023–24 but then decline by 4.9 per cent in 2024–25, as the higher coal royalties received in 2022–23 are expected to lead to Queensland being assessed as requiring a lower share of the GST pool in later years.

However, overall GST revenue is still expected to grow slightly, by 2.2 per cent in 2025–26 and 6.0 per cent in 2026–27, largely driven by expected ongoing growth in the national GST pool, as outlined in the recent 2023–24 Federal Budget.

Table 4.1 details Queensland's total General Government Sector revenue by component across the forward estimates period.

Table 4.1 General Government Sector revenue[1]

	2021–22 Actual $ million	2022–23 Budget $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Taxation revenue	20,011	18,842	20,563	21,938	23,125	24,285	25,387
Sales of goods and services	5,896	6,181	6,344	6,921	6,969	7,054	6,871
Interest income	2,643	2,847	3,166	3,206	3,173	3,116	3,107
Grants revenue							
GST revenue	16,079	17,811	18,397	19,477	18,528	18,927	20,069
Australian Government and other grants and contributions	15,308	14,561	15,203	16,467	16,726	16,756	17,287
Australian Government capital grants, other grants and contributions	2,749	2,870	2,971	3,699	3,689	3,254	3,261
Dividend and income tax equivalent income							
Dividends	209	928	628	970	1,224	1,212	1,290
Income tax equivalent income	581	572	415	551	659	644	668
Other revenue							
Royalties and land rents	9,088	7,832	18,288	7,318	5,929	6,032	6,087
Other	1,623	1,442	1,649	1,532	2,079	1,577	1,563
Total revenue	**74,185**	**73,886**	**87,623**	**82,079**	**82,102**	**82,858**	**85,591**

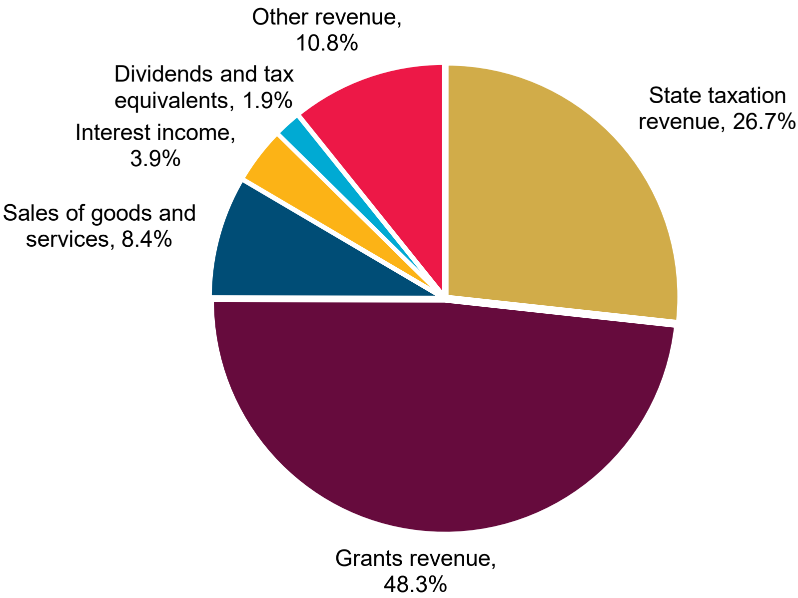
Note:

1. Numbers may not add due to rounding.

The major sources of total General Government Sector revenue in 2023–24 are grants revenue, which includes GST revenue and Australian Government Grants (48.3 per cent), and taxation revenue (26.7 per cent).

Chart 4.2 illustrates the expected composition of Queensland General Government Sector revenue in 2023–24.

Chart 4.2 Revenue by operating statement category, 2023–24[1,2]



Notes:

1. Numbers may not add up to 100 per cent due to rounding.
2. Chart prepared in line with Operating Statement categories. 'Other revenue' includes royalties and land rents, which comprise 8.9 per cent of total revenues.

4.3 Revenue initiatives

General practitioner payroll tax amnesty

Medical practices are liable to pay payroll tax on payments made to contracted general practitioners (GPs) unless an exemption applies.

An amnesty is being provided to qualifying medical practices, otherwise liable to pay payroll tax on payments made to contracted GPs, up to 30 June 2025 and for the previous 5 years (i.e. 2018 to 2025). The amnesty recognises a potential lack of awareness of the payroll tax treatment of contractors among GPs and the need to support these practices to come into compliance with the least disruption possible.

The additional payroll tax revenue which may have been recovered in absence of the amnesty is estimated to be up to $100 million per annum during the amnesty period.

Extension of payroll tax discount for regional employers

In the 2019–20 Queensland Budget, the government introduced a one per cent discount on the payroll tax rate for employers that had an ABN registered business address in regional Queensland and at least 85 per cent of their taxable wages paid to employees located outside South East Queensland. Accordingly, a reduced tax rate of 3.75 per cent or 3.95 per cent, as applicable, applied to those businesses.

This measure was set to expire in June 2023. However, the government has committed to continue this initiative over the longer term to ensure that vital support for jobs and growth across regional Queensland is maintained. Accordingly, this measure has been extended for 7 years, until 30 June 2030, to provide certainty to regional businesses until the end of the decade.

It is estimated this initiative will result in total tax relief of $505.4 million over the 4 years ending 2026–27, supporting more than 3,400 regional Queensland businesses.

Extension of 50 per cent apprentice and trainee payroll tax rebate

The 50 per cent payroll tax rebate for wages paid to apprentices and trainees will be extended for 12 months until 30 June 2024. In addition to apprentice and trainee wages generally being exempt from payroll tax, this rebate provides additional support for businesses supporting youth employment and businesses who employ trainees and apprentices.

It is estimated this initiative will result in tax relief of $48.6 million for Queensland businesses employing trainees and apprentices in 2023–24.

Box 4.1 Ongoing payroll tax relief to support employment and regional businesses

As part of the Queensland Government's commitment to support businesses across regional Queensland, as well as supporting apprentice and trainee opportunities across the state, the 2023–24 Queensland Budget includes 2 key payroll tax relief measures that will deliver substantial savings to thousands of Queensland businesses.

The Regional Payroll Tax Discount, which supports regional businesses and employment by reducing costs for regional businesses and incentivising regionally-based businesses to hire local employees, will be extended over the long term to 30 June 2030.

This discount is available to all eligible employers regardless of their taxable wage levels and across all industries and sectors. It helps support regional businesses across all industries, including mining, agriculture and manufacturing through to education, retail trade and services.

Businesses eligible for the discount operate across regional Queensland and, importantly, the vast majority of benefitting businesses (around 75 per cent of eligible businesses) are businesses with annual wages of less than $6.5 million.

Since the introduction of the regional discount in 2019, the unemployment rate has reduced substantially across regional Queensland, with the average unemployment rate across Queensland's regions outside South East Queensland being 3.9 per cent as at April 2023.

The continuation of the regional discount will continue to support these employment gains and create further job opportunities across regional economies.

The 50 per cent Apprentice and Trainee Rebate, which applies in addition to the exemption of apprentice and trainee wages from payroll tax, has been extended to 30 June 2024.

The extension of the rebate to reduce costs for businesses across the state that employ apprentices and trainees aligns with the government's broader objectives of supporting youth engagement in employment, skills and education, and will also help to address skills shortages across industries, including in trades and hospitality.

The Apprentice and Trainee Rebate also complements the broad suite of other Queensland Government support provided to drive enhanced employment outcomes for apprentices and trainees, including youth. This includes:

- the revitalised Back to Work Program, which provides support payments to employers engaging unemployed jobseekers. This includes a Youth Boost payment of up to $20,000 for employers who hire an eligible jobseeker aged between 15-24 years
- free apprenticeships for under 25s, which contributes to the cost of training for priority apprentice and trainee qualifications
- a travel and accommodation allowance of up to 26 cents per kilometre for travel and $40 to $76 per night for accommodation, for apprentices and trainees that need to travel greater than 100km for work
- workers compensation discounts for firms that hire apprentices.

Build to Rent

Following the Queensland Government's Housing Roundtable on 28 March 2023, the government announced a proposal to provide tax concessions for Build to Rent developments that provide at least 10 per cent of dwellings as affordable housing, at a discounted rent.

This initiative, to commence from 1 July 2023, will help support the delivery of an enhanced supply of rental dwellings across the state, including more affordable housing for Queenslanders.

Box 4.2 Build to Rent

The Queensland Government's Build to Rent tax concessions will deliver more affordable housing for more Queenslanders by supporting Build to Rent developments that provide at least 10 per cent of dwellings as affordable housing at discounted rents.

Discounted rents will need to be provided at least 25 per cent below market rents of similar dwellings in the Build to Rent development to qualify.

The initiative will commence from 1 July 2023 and will be available to eligible Build to Rent developments across the state.

Eligible Build to Rent developments will be able to benefit from the following tax concessions:

- 50 per cent reduction in the taxable value of land for land tax, for land used for a Build to Rent development, up to a maximum term of 20 years
- 100 per cent reduction in the taxable value of land for land tax foreign surcharge for land used for a Build to Rent development up to a maximum term of 20 years
- 100 per cent discount on any additional foreign acquirer duty for land for a Build to Rent development.

The tax concessions will be made available for a maximum term of 20 years or until 30 June 2050 (whichever comes sooner).

Concessions will only be available once a development is operational, noting eligible developments must be operational by 30 June 2030 to qualify for the concessions.

To be eligible, a Build to Rent development must provide at least 50 self-contained dwellings and be owned under a unified ownership structure and managed by a single entity.

Tenants eligible for the discounted rent will need to meet appropriate income and asset tests, which will include:

- a household income test based on average weekly full-time adult total earnings in Queensland, published by the Australian Bureau of Statistics for May each year
- a household's asset wealth cannot exceed 25 per cent of a benchmark set with reference to Services Australia pension assets test for non-homeowners.

Queensland Revenue Office compliance and debt recovery

The 2023–24 Queensland Budget provides funding for the Queensland Revenue Office (QRO) to continue and establish key compliance and debt recovery measures. These comprise a range of activities that both support taxpayers to understand and meet their obligations and enforce compliant behaviour through audits, investigations and escalated enforcement actions.

These measures build community confidence in the fairness and equity of tax administration and, by safeguarding key state revenues, will help deliver better services and critical infrastructure for Queenslanders, including enabling the ongoing funding of investments in new hospitals, schools, road upgrades and essential services across the state.

4.4 Revenue by operating statement category

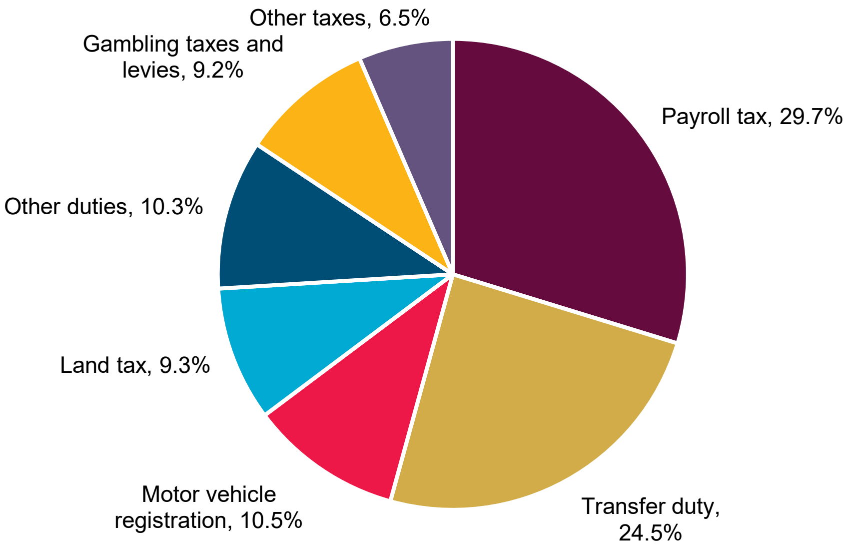
4.4.1 Taxation revenue

Chart 4.3 outlines the composition of estimated state taxation revenue for 2023–24, with the largest sources being payroll tax and transfer duty, together representing 54.3 per cent 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 and how this feeds through to employment and wages growth. Transfer duty can be much more variable, reflecting pronounced cyclical residential and non-residential market conditions.

Land tax growth can also reflect variability in the property market, such as the material increases in land values seen in recent years, but is generally more stable than most other tax lines due to the relatively stable base and assessments being based on 3-year average of land values, which helps mitigate the impact of increasing land values.

Chart 4.3 State taxation by tax category, 2023–24[1]



Note:

1. Percentages may not add to 100 per cent 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. 'Payroll tax' includes the mental health levy.

Table 4.2 shows the main components of taxation revenue and the forecast revenues for each component across the forward estimates.

Table 4.2 State taxation revenue[1]

	2021–22 Actual $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Payroll tax						
Payroll tax	5,001	5,690	6,122	6,491	6,872	7,272
Mental health levy	0	184	402	422	443	466
Total payroll tax	**5,001**	**5,874**	**6,524**	**6,913**	**7,315**	**7,738**
Duties						
Transfer	6,336	5,209	5,385	5,607	5,877	6,166
Vehicle registration	703	782	786	809	834	859
Insurance[2]	1,219	1,360	1,428	1,500	1,575	1,653
Other duties[3]	40	70	41	41	42	42
Total duties	**8,298**	**7,422**	**7,640**	**7,957**	**8,328**	**8,720**
Gambling taxes and levies						
Gaming machine tax	851	999	1,001	1,031	1,062	1,094
Health services levy	117	160	161	173	187	202
Lotteries taxes	381	394	418	443	470	498
Wagering taxes	160	216	266	273	280	288
Casino taxes and levies	112	130	142	147	152	158
Keno tax	23	28	28	29	30	31
Total gambling taxes and levies	**1,645**	**1,927**	**2,015**	**2,096**	**2,182**	**2,271**
Other taxes						
Land tax	1,633	1,777	2,031	2,280	2,416	2,471
Motor vehicle registration	2,103	2,186	2,301	2,398	2,499	2,589
Emergency management levy	604	629	660	687	716	745
Waste disposal levy	348	390	423	453	477	496
Guarantee fees	333	318	311	307	319	322
Other taxes[4]	45	41	32	34	34	35
Total taxation revenue	**20,011**	**20,563**	**21,938**	**23,125**	**24,285**	**25,387**

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.

Payroll tax

Payroll tax revenue is estimated to total $5.690 billion in 2022–23, $689.4 million (13.8 per cent) higher than in 2021–22, driven by stronger than expected employment and wages growth.

Payroll tax is expected to grow by 7.6 per cent in 2023–24, with average annual growth of around 5.9 per cent then forecast over the 3 years ending 2026–27. This reflects expected ongoing solid employment and wages growth over the forward years.

Queensland's payroll tax exemption threshold of $1.3 million is one of the highest of all jurisdictions, meaning most Queensland small businesses are not liable for payroll tax, while the standard rate of 4.75 per cent is one of the lowest rates of all jurisdictions. For comparison, New South Wales currently has an exemption threshold of $1.2 million and a standard rate of 5.45 per cent, while Victoria has an exemption threshold of $700,000 and a standard rate of 4.85 per cent. Further, Queensland offers a one percentage point discount for eligible regional employers.

There is also a deduction available for employers between the exemption threshold of $1.3 million and the current deduction threshold of $10.4 million in annual Australian taxable wages, that reduces the amount of tax payable between this wage range. The deduction was extended to the $10.4 million ceiling in the 2022–23 Queensland Budget, increasing substantially from the previous $6.5 million ceiling, benefitting an estimated 12,000 Queensland businesses.

Mental health levy

The mental health levy was announced in the 2022–23 Queensland Budget in order to provide a sustainable funding source to enhance the provision of mental health services and investment.

The levy only applies to large businesses with national payrolls of more than $10 million, with those businesses paying a 0.25 per cent levy on taxable wages above $10 million. Very large businesses with national payrolls of more than $100 million pay an extra 0.5 per cent levy on wages above $100 million.

The levy commenced from 1 January 2023 and, as such, 2022–23 revenue reflects only half a year of revenues following its implementation. Mental health levy revenue in 2022–23 is estimated at $184 million, consistent with expectations at the 2022–23 Budget Update. Over the forward estimates, mental health levy revenue is expected to grow largely in line with broader payroll tax growth.

Box 4.3 Mental health levy funding investment in Queenslanders' wellbeing

Many Queenslanders experience mental ill health, problematic alcohol and other drug use and mental health crisis in their lifetime. These issues impact individuals, families and communities.

In recognition of this, the government provided $1.645 billion in the 2022–23 Budget to support the implementation of mental health, alcohol and other drug (MHAOD) and suicide prevention services across the state.

Delivering on the recommendations of the Mental Health Select Committee, in its report to Parliament – *Report No.1, 57th Parliament – Inquiry into the opportunities to improve mental health outcomes*, a mental health levy on large businesses began 1 January 2023.

Funds raised through the levy are used to provide services or infrastructure that supports mental health, pursuant to the *Mental Health Act 2016* and the *Queensland Mental Health Commission Act 2013.*

Funding has already started to roll-out to MHAOD services with 2022–23 expenditure as at 25 May 2023 including initiatives such as:

- $10.9 million for whole of government action on the social determinants of mental health and wellbeing, including improving access to improved tenancy sustainment and expanded employment opportunities for people with MHAOD issues
- $11.0 million for a new perinatal mental healthcare centre being established at Mater Hill
- $7.7 million for new and existing mental health co-responder model with Queensland Ambulance Service
- $3.5 million to deliver improved services with First Nations peoples.

Additional support for MHAOD from 2023–24 will include:

- $150 million for a new mental health facility at the Redland Hospital, which will almost double mental health capacity and free up critical land on the hospital site for potential future expansion
- $67.8 million over 5 years to expand existing and establish new Crisis Support Spaces, offering an alternative to the emergency department for people experiencing mental distress and/or suicidality. Home-like environments will be designed at 11 additional hospital campuses, available by the end of 2024
- $45.1 million increase over 5 years to the Head to Health services. This will establish 12 new adult services (including Cairns, Bundaberg, Rockhampton, Logan, and the Redlands) and 2 new children's services (opening in the Gold Coast and Brisbane, to also service the Logan-Beaudesert and Moreton Bay regions)

- $44.5 million over 5 years to provide consultation liaison and specialist MHAOD clinical in-reach services to all headspace centres, providing free health services for young people aged 12 to 25 years
- Through this significant investment, supported by the mental health levy, the government is continuing its momentum to improve mental health and wellbeing outcomes for Queenslanders by transforming, optimising and growing state funded MHAOD treatment, care and support and responses to mental health crisis and suicidality.

Duties

Transfer duty

Transfer duty is charged on ‘dutiable transactions’, including transfers of land in Queensland or Queensland business assets.

The Queensland Government offers extensive concessions for the transfer of property where the property is purchased as a home. This means eligible home buyers pay a one per cent concessional rate on the first $350,000 of dutiable value, rather than the normal scheduled rates of between 1.5 per cent and 3.5 per cent.

If a first home buyer purchases a property valued at $500,000 or under they will pay no duty, with reduced rates available up to $550,000.

Queensland’s transfer duty settings compare favourably to other jurisdictions. For a home buyer purchasing a principal place of residence reflecting median capital city dwelling prices as at May 2023, they would pay around $24,000 less transfer duty in Queensland than if they purchased in New South Wales, and around $22,000 less transfer duty than if they purchased in Victoria.

Transfer duty revenue is estimated to be 17.8 per cent lower in 2022–23 compared with 2021–22, reflecting a significant moderation in both residential and non-residential activity since 2021–22. Modest growth of 3.4 per cent is forecast in 2023–24 as housing market activity begins to stabilise. However, in the context of recent and potential future increases in interest rates, the size and timing of impacts on housing markets remain uncertain.

After declining in 2022–23, house prices are expected to return to modest growth across 2023–24 and 2024–25, and transaction volumes are also expected to return to be more in line with pre-2020–21 levels. The combination of these factors, along with ongoing recovery in the non-residential sector, is supporting an expected average annual growth of 4.6 per cent in transfer duty over the 3 years ending 2026–27.

Vehicle registration duty

Vehicle registration duty applies to applications to register or transfer a vehicle. Duty is imposed on the dutiable value, with the applicable rate dependent on the type of vehicle. An additional amount of registration duty is imposed on applications to register or transfer vehicles (other than special vehicles or heavy vehicles) with a dutiable value of more than $100,000.

Revenue from vehicle registration duty in 2022–23 is expected to be 11.2 per cent higher than in 2021–22, driven by the continued strength in vehicle sales in line with the high levels of broader consumption expenditure experienced as part of the recovery from COVID-19.

Vehicle registration duty is expected to remain relatively flat in 2023–24, due to rising interest rates and broader cost-of-living pressures, but is then forecast to grow by around 3 per cent per annum over the 3 years ending 2026–27.

Land tax

Land tax is imposed on the taxable value of a landowner's aggregated holdings of freehold land owned in Queensland as at 30 June each year. The landowner's home and some other specified types of landholdings are exempt.

Individuals other than absentees are generally liable for land tax if the total taxable value of the freehold land owned by that person 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 is equal to or greater than $350,000.

Land tax revenue is expected to grow by 14.3 per cent in 2023–24, largely reflecting the impact of recent land value growth. However, the impact of these value increases has also been tempered by the 3-year averaging of land values applied in determining land tax liability.

While the strong land value growth seen in recent years will continue to flow through to support growth in land tax revenue in future years due to the effect of 3-year averaging, the subsequent falls in residential property values in 2022–23 are expected to partially offset that impact and moderate growth in land values for land tax purposes going forward.

Average annual growth of 6.8 per cent is forecast for land tax over the 3 years ending 2026–27.

Box 4.4 Queensland's competitive land tax regime

Land tax is generally considered one of the most efficient forms of tax available to states. Its broad application provides a stable and growing revenue base, and minimises distortionary impacts, including prolonged land banking.

The thresholds at which land tax becomes payable in Queensland are among the most generous in Australia. For individuals, the land tax-free threshold of $600,000 is the second highest in the country, only behind New South Wales.

Other major states also have materially higher comparative average house and associated land values. CoreLogic data for May 2023 shows that, compared to the median house price of $792,125 in Brisbane, the median house price in Sydney is $1,293,529 (63 per cent higher than Brisbane) while the median house price in Melbourne is $911,007 (15 per cent higher than Brisbane).

When land tax thresholds are considered against these median house prices, noting land value is the most significant component of house prices, the competitiveness of Queensland's individual tax-free threshold becomes apparent as shown in Chart 4.4.

Chart 4.4 Comparison of median house prices and individual land tax thresholds[1]

Note:
1. From 1 January 2024, Victoria's tax-free threshold for general land tax rates will decrease to $50,000 as part of its temporary COVID Debt Levy

Sources: state revenue office websites (various), CoreLogic (May)

This shows that Queensland's individual tax-free threshold relative to median capital city house prices compares favourably with other states. However, importantly, the home that Queenslanders live in is exempt from land tax, meaning the vast majority of Queensland homeowners are not liable for any land tax.

The Queensland Government has also recently announced it will put in place an automatic exemption process for the principal place of residence for eligible owners, based on appropriate verifying data.

Land tax in Queensland is also subject to a system of 3-year averaging of the land value, which further reduces the impacts of increasing land values on the tax payable by landholders.

Consistent with most other jurisdictions, Queensland has a progressive land tax regime, with different thresholds of taxable land value at which different rates of tax apply. Therefore, as land values increase and individuals' or entities' wealth increases (i.e. taxable landholdings increase in value), their land tax liability also tends to increase. Hence, it is considered a relatively fair form of tax.

Individuals are subject to more generous tax-free thresholds and lower average tax rates than companies, trusts and absentees.

Land tax provides an important revenue source to help fund the provision of essential government services and infrastructure for all Queenslanders, including critical health, education, law and order, transport and other services across the state.

Gambling taxes and levies

A range of gambling activities are subject to state taxes and levies. Total gambling tax and levy collections are expected to be 17.1 per cent higher in 2022–23 compared with 2021–22, reflecting the ongoing strong levels of gambling-related activity, including in the state's hotels and clubs, as well as partially reflecting the betting tax measures announced in the 2022–23 Budget.

Total gambling tax and levy collections are expected to grow by 4.6 per cent in 2023–24, and average annual growth of 4.1 per cent is forecast for gambling tax revenue over the 3 years ending 2026–27, incorporating increased revenue over time from the opening of the Queen's Wharf Brisbane casino.

Waste disposal levy

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

To help Queensland reach its waste recovery targets, changes to the waste levy commenced from 1 July 2022. These included dividing the existing levy zone into metropolitan and regional levy areas, which have different annual levy rate increases. The metropolitan levy rate was increased by $10 to $95 per tonne and the regional levy rate increased in line with the consumer price index to $88 per tonne.

Revenue from the waste disposal levy is estimated to be $390 million in 2022–23, 12.0 per cent higher than in 2021–22 reflecting the increase of the metropolitan levy rate.

The government has committed to using 70 per cent of proceeds from the waste levy for resource recovery and other programs that reduce the impact of waste and protect the environment and local communities.

Queensland's competitive tax status

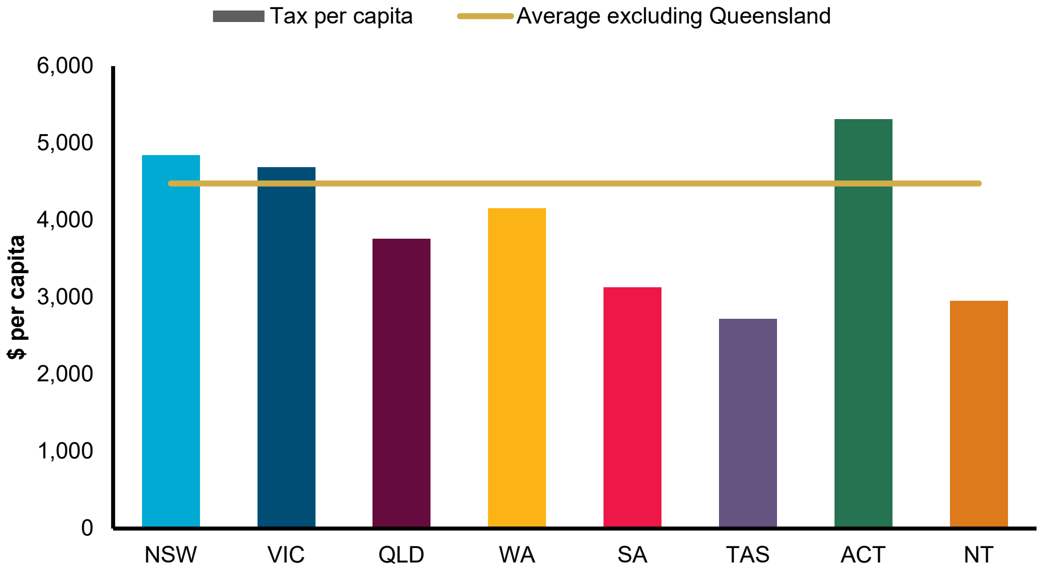
Maintaining the competitiveness of Queensland's tax system is critical to provide a competitive advantage to business and to moderate the tax burden on citizens.

Maintaining a competitive tax regime is also fundamental to the Queensland Government's economic strategy and its commitment to creating more jobs in more industries and maintaining a competitive investment environment.

Importantly, as Chart 4.5 shows, taxation per capita in Queensland was lower in 2021–22 than the average taxation per capita in the other states and territories, highlighting the ongoing competitiveness of Queensland's taxation regime.

Based on the latest available actuals data from states and territories, Queensland's taxation per capita in 2021–22 was $720 less than the average of other jurisdictions. On average, Queenslanders paid $1,087 less tax than New South Wales residents and $928 less than Victorian residents, as highlighted in Chart 4.5.

Chart 4.5 Taxation per capita, 2021–22



Sources: ABS Government Finance Statistics and ABS National, State and Territory Population.

Other measures of tax competitiveness include estimates by the Commonwealth Grants Commission (CGC) of Queensland’s tax effort compared with other jurisdictions, and each state or territory’s taxation revenue as a proportion of the respective size of its economy.

The CGC’s revenue raising effort ratios are an indicator of the extent to which governments burden their revenue bases, with a lower ratio indicating a relatively lower taxation burden imposed by state taxes.

The CGC’s 2022 update assessed that Queensland’s tax effort in 2021–22 (latest available CGC estimate, based on 2021–22 data and using total taxation revenue effort for CGC-assessed taxes) was 5.4 per cent below the national average.

The third measure of tax competitiveness (that is, taxation as a share of gross state product) also confirms that Queensland’s taxes are highly competitive, being below the average of the other states and territories, and significantly lower than the major southern states.

Table 4.3 summarises the estimates of these 3 measures compared with other states and territories and demonstrates that the Queensland tax system is very competitive.

Table 4.3 Tax competitiveness, 2021–22

	NSW	VIC	QLD	WA	SA	TAS	ACT[4]	NT	Avg[5]
Taxation per capita[1] ($)	4,844	4,685	3,757	4,155	3,126	2,722	5,308	2,956	4,477
Taxation effort[2] (%)	96.8	106.9	94.6	102.1	96.3	87.9	139.3	86.2	100
Taxation % of GSP[3] (%)	5.7	6.0	4.5	2.9	4.4	4.0	5.2	2.4	5.0

Notes:

1. 2021–22 data (latest available actuals). Sources: *ABS Government Finance Statistics* and *ABS National, State and Territory Population*.
2. 2021–22 data (latest available). Source: Commonwealth Grants Commission 2023 Update – total taxation revenue effort for assessed taxes (payroll, transfer duty, land tax, insurance duty and motor vehicle taxes). Revenue raising effort ratios are an indicator of the extent to which governments burden their revenue bases.
3. 2021–22 data (latest available). Sources: *ABS Annual State Accounts* and *ABS Government Finance Statistics*
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).

Tax expenditures

Tax expenditures are reductions in taxation 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.

Appendix B provides details of tax expenditure arrangements provided by the Queensland Government.

4.4.2 Grants revenue

Grants revenue is comprised of Australian Government grants (including GST), grants from the community and industry, and other miscellaneous grants.

An 8.4 per cent increase in total grants revenue is forecast for 2023–24, primarily driven by an expected 11.8 per cent growth in Australian Government grants and an expected 5.9 per cent increase in GST revenue.

Table 4.4 Grants revenue[1,2]

	2021–22 Actual $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Current grants						
GST revenue grants[3]	16,079	18,397	19,477	18,528	18,927	20,069
Australian Government grants[4]	14,992	14,790	16,145	16,410	16,438	16,968
Other grants and contributions	315	413	323	317	318	319
Total current grants	**31,387**	**33,600**	**35,944**	**35,254**	**35,683**	**37,356**
Capital grants						
Australian Government capital grants	2,706	2,938	3,679	3,654	3,248	3,261
Other grants and contributions	42	33	20	35	7	0
Total capital grants	**2,749**	**2,971**	**3,699**	**3,689**	**3,254**	**3,261**
Total Australian Government payments	33,778	36,125	39,300	38,591	38,613	40,298
Total grants revenue	**34,135**	**36,571**	**39,643**	**38,943**	**38,937**	**40,618**

Notes:

1. Numbers may not add due to rounding.
2. Amounts in this table may differ to those outlined in Chapter 9 due to different classification treatments.
3. Includes entitlements to payments associated with the 'no worse off' guarantee as part of the Australian Government changes to the GST distribution.
4. Queensland Treasury estimates. Differs from Chapter 7 due to the inclusion of direct Australian Government payments to Queensland agencies for Australian Government own purpose expenditure.

GST revenue

Growth in the national GST pool, along with an increase in Queensland's share of the pool, have been the key drivers of stronger Queensland GST revenue across 2022–23 and 2023–24 compared with previous years.

Queensland's GST revenue in 2022–23 is expected to be 14.4 per cent higher than in 2021–22, with this increase attributed to higher national GST collections. The 2023–24 Federal Budget estimated the total GST pool in 2022–23 to be $8.2 billion higher compared with 2021–22.

A further increase of 5.9 per cent in GST revenue in 2023–24 is expected compared with 2022–23. This more modest rate of growth, compared to the previous year, is driven by changes in the GST pool and population, combined with the CGC's recommendation related to Queensland's GST share in 2023–24.

Queensland's expected share of GST, and the key factors impacting on it over the remainder of the forecast period, are discussed in further detail below.

Revisions to the GST pool

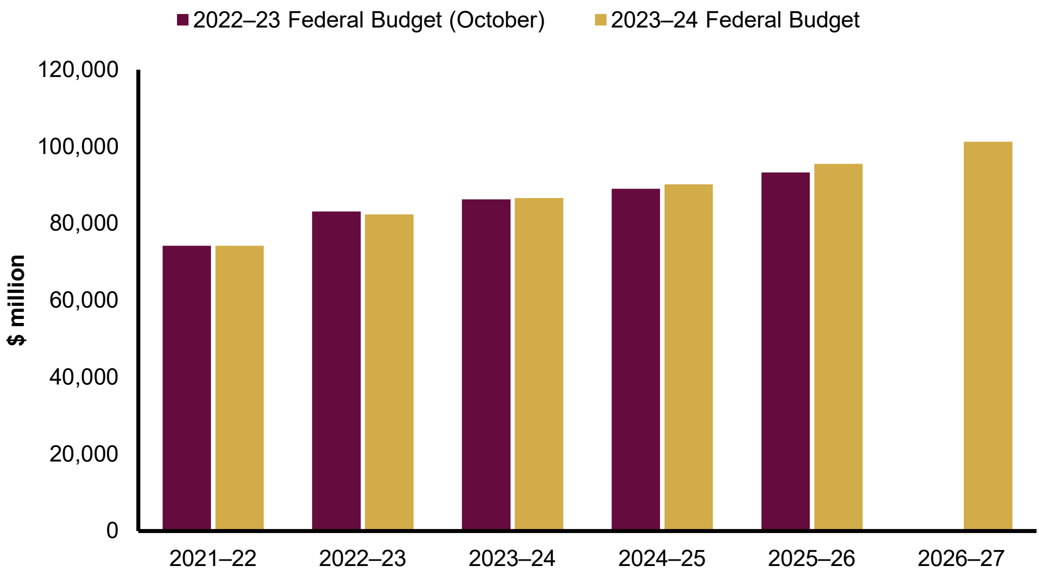
The Australian Government's national GST pool forecasts were upgraded in the 2023–24 Federal Budget, to be $2.9 billion higher across the 4 years to 2025–26 compared with the October 2022–23 Federal Budget estimates.

The 2023–24 Federal Budget stated that increases in GST receipts largely reflect compliance measures and parameters and other variations. In particular, the 2023–24 Federal Budget announced a 4-year extension of its GST compliance program to ensure businesses meet their tax obligations, including accurately accounting for and remitting GST, and correctly claiming GST refunds. The Australian Government estimates this measure will increase GST receipts by $3.8 billion over the 4 years ending 2026–27.

The Australian Government expects the GST pool to increase by 5.2 per cent in 2023–24 and 3.9 per cent in 2024–25, in line with nominal household consumption.

Chart 4.6 compares GST pool forecasts published in the 2022–23 and 2023–24 Federal Budgets.

Chart 4.6 Australian Government forecasts of national GST revenue pool[1]



Note:
1. The 2022–23 October Federal Budget estimates are limited to the 2025–26 financial year.

Source: 2021–22 Final Budget Outcome, 2022–23 Federal Budget (October), and 2023–24 Federal Budget.

Box 4.5 2025 GST Methodology Review

GST is distributed between states and territories under a GST distribution methodology administered by the CGC. This methodology involves balancing fiscal capacity between state and territory governments so a similar standard of services and infrastructure can be delivered by each state to their population, no matter where they live. This is known as horizontal fiscal equalisation.

The GST distribution methodology is multifaceted to take into account different revenue raising capacities and differing need and costs of providing services across states and territories.

Since the introduction of the GST in 2000–01, the GST distribution methodology has been reviewed 4 times — on a 5-yearly basis — most recently in 2020. These reviews occur under terms of reference issued by the Australian Treasurer to the CGC and allow the CGC, in consultation with the states and territories, to consider changes to the data and methods for measuring fiscal capabilities and determining how GST is shared.

Terms of reference for the 2025 Methodology Review — to review the GST distribution methods to apply from 2025–26 — were issued by the Australian Treasurer to the CGC on 9 February 2023 and are available on the CGC's website.

In 2022–23, GST is estimated to represent approximately 21 per cent of Queensland's state revenue – providing critical funds for essential state government services such as health, education, law and order, transport and other services that are utilised by all Queenslanders.

Queensland Treasury will ensure Queensland's position is clearly communicated and advocated for in the Methodology Review, to ensure Queensland receives its fair share of GST revenue. This significant body of work will be a focus for Queensland Treasury for the next 2 years, until the scheduled issue of CGC's outcome report in March 2025.

It will also involve significant input from departments across the Queensland Government, to ensure the data used and assumptions relied upon by the CGC appropriately reflect the needs of the people of Queensland. This includes taking into account the state's growing population, social-demographic composition and the challenges of service delivery in a large and decentralised state.

GST – Queensland's assessed fiscal capacity

In early 2023, the Australian Government accepted the CGC's recommendation that Queensland requires a similar share of GST revenue in 2023–24 compared with 2022–23, with the CGC estimating Queensland's share of the GST pool at 21.2 per cent.

This was driven by the following factors:

- population – a lower than average decline in Queensland's population growth between 2018–19 and 2021–22, coupled with downward revisions in urban populations in New South Wales and Victoria, increased Queensland's share of investment needs relative to other states
- property sales – very strong growth in the value of properties transferred in New South Wales increased its capacity to raise revenue from stamp duties, reducing its assessed GST needs relative to other states.

These were offset by the following factors:

- mining production – the increased value of coal production increased Queensland's relative revenue raising capacity from mining-related activity and reduced its assessed GST needs
- capital improvements – national urban transport investment more than doubled between 2018–19 and 2021–22, decreasing the assessed GST needs of Queensland compared to more densely populated states such as New South Wales.

Importantly, states and territories' shares of GST revenue fluctuate over time based on the CGC's assessment of their fiscal capacity and expenditure needs. Some key drivers of changes to Queensland's and all states' shares of GST are factors that are not Queensland specific, including the impacts of changes in royalty revenue from iron ore in Western Australia and transfer duty collections in New South Wales.

Box 4.6 No worse off guarantee

In 2018, the former Australian Government legislated a new way to distribute GST revenue among the states, referred to as the new equalisation arrangements. These changes included:

- equalising to the stronger of New South Wales or Victoria, rather than the state with the greatest fiscal capacity, with this change to be gradually introduced over 6 years from 2021–22
- a relativity floor of 0.7 in 2022–23, increasing to 0.75 from 2024–25. That is, no state will receive less than 70 per cent of their population share of GST in 2022–23 and no less than 75 per cent in 2024–25 and beyond
- a permanent boost to the GST Pool. The Australian Government will inject $600 million per year from 2021–22 and an extra $250 million per year from 2024–25. This boost will continue in perpetuity and grow with the national pool
- provision of a 'no worse off' guarantee that would result in supplementary payments to any state that cumulatively received less GST under the new system than it would have received under the previous system, to apply between the years from 2021–22 to 2026–27 (the transition period)
- the Australian Productivity Commission to review the system by December 2026.

Queensland's longer-term GST revenue, from 2027–28 onwards, is at significant risk under these arrangements, compared to the ongoing revenue outcomes expected under the previous system. In particular, the cessation of the no worse off guarantee will involve significant revenue implications for Queensland, and most other states and territories, from 2027–28 onwards, once the transition period ends.

The 2023–24 Federal Budget estimates that Queensland's no worse off guarantee payment for 2022–23 will be $949 million, increasing to $1.303 billion by 2025–26.

Queensland Treasury currently estimates that cessation of the no worse off guarantee could result in Queensland being worse off by almost $1 billion a year from 2027–28 onwards.

The Treasurers of all states and territories have collectively requested that the Australian Treasurer extend the no worse off guarantee indefinitely.

The Queensland Government looks forward to genuine engagement with the Australian Government on this critical issue given its potentially significant implications for future state funding needed to provide essential services and infrastructure to the people of Queensland.

The 2024–25 Budget will be the first year where state budgets include 2027–28 GST forecasts in the forward estimates.

Australian Government payments

Australian Government payments to Queensland in 2023–24 are expected to total $39.3 billion, representing an increase of $3.175 billion (8.8 per cent) compared to payments in 2022–23. This increase is attributable to a 11.8 per cent increase in Australian Government grants and a 5.9 per cent increase in GST.

Chapter 7 provides a detailed overview of federal financial arrangements, including Australian Government payments to Queensland.

Other grants and contributions

Other grants and contributions are funds received from other state and local government agencies, other bodies and individuals.

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. Contributions exclude Australian Government grants and user charges.

Other grants and contributions comprise only a small share of total grant revenue (forecast to be 0.9 per cent in 2023–24).

4.4.3 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 a share 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.

There is a high degree of uncertainty associated with estimates of commodity prices, which can have significant impacts on royalty revenue. Risks to commodity export volumes, in particular coal, also have the potential to impact Queensland's royalty estimates, although changes to export volumes may in turn impact prices.

Appendix C outlines key parameter assumptions, and the sensitivity of coal royalty estimates to individual changes in price, volume and exchange rate parameters.

Coal and oil prices rose substantially across 2021–22, providing a substantial short-term boost to revenues. Global prices have since moderated somewhat but remain elevated compared to historical levels.

However, the recent strength in prices, particularly in relation to coal prices, is primarily driven by a range of short-term supply side factors and disruptions. As such, prices are expected to return to more sustainable levels in 2024, but the timing and extent of the decline remains uncertain.

Forecast royalties and land rents are detailed in Table 4.5.

Table 4.5 Royalties and land rents[1]

	2021–22 Actual $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Coal	7,243	15,296	5,345	4,024	4,224	4,400
Petroleum[2]	1,184	2,332	1,275	1,222	1,143	1,039
Other royalties[3]	490	477	503	483	460	440
Land rents	171	183	195	200	204	209
Total royalties and land rents	**9,088**	**18,288**	**7,318**	**5,929**	**6,032**	**6,087**

Notes:

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

Coal royalties

A large proportion of Queensland's royalties comes from coal mining and the majority of this revenue is attributable to the hard-coking coal (HCC) used in global steel production.

The lower level of royalties collected from thermal coal mining compared with HCC reflects the smaller volume of thermal coal mined in Queensland, the generally lower values per tonne of thermal coal and the tiered coal royalty rate system, where lower value coal is subject to a lower average royalty rate. In 2022, HCC, in volume terms, represented around 52 cent of coal exported from Queensland, with semi soft/PCI 21 per cent and thermal coal 27 per cent.

Coal royalties are expected to total $15.296 billion in 2022–23, more than double that in 2021–22 and around 9 times the coal royalties raised in 2020–21.

The increase in coal royalties expected in 2022–23 is partially driven by the new progressive coal royalty rates announced in the 2022–23 Queensland Budget, but it primarily reflects the sustained period of higher than previously expected prices flowing through to royalty revenues more broadly. Without the new tiers introduced through the 2022–23 Queensland Budget measure, royalties during this period of unprecedented coal prices would have been around one third lower.

Importantly, as outlined in the 2022–23 Budget Update, the additional revenue raised from coal royalties, has enabled the funding of a range of substantial investments across regional Queensland, including in the key coal producing regions. The Queensland Government's action in implementing these investments is outlined in Box 4.7 below.

Box 4.7 New tiers delivering for regional Queensland

Over the 2 years since mid-2021, Queensland's coal producers have enjoyed unprecedented benefits from an exceptional surge in global coal prices. These prices resulted in the value of Queensland coal exports reaching a calendar year record of $83.5 billion in 2022, more than double the value in 2021 and triple the value in 2020.

The record export revenues have contributed to the strong financial performance of coal mining companies operating in Queensland, with many reporting record revenues and profits in 2022.

Meanwhile, the favourable conditions created by high prices has supported strong employment growth in the mining sector, with Queensland Mines Inspectorate data showing employment in Queensland coal mines grew by 7.4 per cent in the second half of 2022.

In the context of these unprecedented global coal prices, the new coal royalty tiers announced by the Queensland Government in the 2022–23 Budget mean Queenslanders are also benefitting from these exceptional prices. Queenslanders are getting a fair and reasonable return for the use of the state's valuable and limited resources in a period when coal mining companies are generating extraordinary revenues and profits.

Given the ongoing strength of coal prices, in particular hard coking coal prices, since the 2022–23 Budget Update, the new progressive coal royalty tiers are now expected to generate a revenue uplift of around $7.2 billion over the 5 years ending 2026–27, with most of this (around $5.7 billion) expected in 2022–23.

A more modest revenue uplift of around $783 million is expected in 2023–24. Then, as prices unwind to more normal levels in line with medium-term expectations, an average revenue uplift from the new tiers of around $235 million per annum is expected from 2024–25 onwards, representing only around 6 per cent of total coal royalty revenue once prices normalise.

The additional revenue raised from coal royalties due to the ongoing exceptionally high prices, including the revenue raised from the new progressive royalty tiers, has allowed the Queensland Government to invest more than $16 billion towards economic and social infrastructure and essential services to meet the needs of Queenslanders across all regions of the state, including coal-producing regions.

This includes continuing to deliver world class health services across regional Queensland and providing the productivity-enhancing infrastructure needed to support key growth industries and facilitate the energy transformation critical to drive increased employment opportunities and higher incomes into the future.

In the 2022–23 Budget Update, the government committed to utilise the uplift in royalty revenue to fund a combined $4 billion in productivity-enhancing investments across regional Queensland, which includes a $3 billion long-term asset held by the Consolidated Fund and $1 billion provided as equity investments in the Public Non-financial Corporations sector.

In this Budget, the government is providing an additional $6 billion in funding for the Borumba Pumped Hydro Energy Storage project. This brings the government's total commitment to $10 billion for relevant regional PNFC sector infrastructure projects funded by the General Government Sector equity injections supported by coal royalties, and includes:

- $1.06 billion towards CopperString 2032, which will support the construction of the 1,100km transmission line from Townsville to Mount Isa, connecting Queensland's North West Minerals Province to the national electricity grid project
- $7 billion towards state-owned, large-scale, long duration pumped hydro, including $6 billion for the Borumba project over the construction period and $1 billion for the Pioneer-Burdekin project
- $550 million for the Fitzroy to Gladstone Pipeline, enabling long-term water security to the region
- $500 million to CleanCo to support a 2.3-gigawatt portfolio of wind and solar projects in Central Queensland
- $440 million towards Sunwater's Burdekin Falls Dam Improvement and Raising Project, improving and raising the dam by 2 metres to further support water security, noting this is on top of the existing $100 million commitment towards the project
- $300 million for CS Energy to pursue investments in new wind projects and energy firming options to support future industrial decarbonisation in Central Queensland
- $100 million for Gladstone Port Corporation's Northern Land Expansion project, subject to approvals, supporting the release of additional land at Gladstone port and the development of renewable energy and other industries
- $50 million for the replacement of North Queensland Bulk Ports' Bowen Wharf, with the plans, design and approvals subject to further consultation with stakeholders.

Further, leveraging Queensland's economic strengths and to help capitalise on global growth opportunities in new and emerging sectors that will drive sustainable job creation, the following investments have been committed across regional Queensland:

- $150 million will be provided to support workers in Queensland's publicly-owned coal-fired power stations and $200 million for a Regional Economic Futures Fund
- $150 million will be allocated for common user infrastructure to support development, extraction and production of critical minerals

- $120 million to enlarge the Resources Community Infrastructure Fund, with a special focus on coal producing regions
- $100 million to establish a Queensland Critical Minerals and Battery Technology Fund to position Queensland for the next resources boom in the critical minerals needed for the clean energy revolution.

The Budget also allocates $520 million for investments through the Low Emissions Investment Partnerships program to encourage the mining industry to fast-track capital investments that will both rapidly reduce their emissions profile and help maintain a competitive edge for the industry.

To ensure Queenslanders residing in regions have access to world class health services, the government is also investing:

- more than $3.6 billion to build new or expanded hospitals in the coal producing regions of Moranbah and Mackay, as well as in Cairns, Townsville, Bundaberg, Fraser Coast and Toowoomba
- $920 million for new 10-year agreements with the Royal Flying Doctor Services and LifeFlight Australia to provide aeromedical services across the state including from bases in Bundaberg, Cairns, Charleville, Longreach, Mount Isa, Rockhampton, Roma, Townsville and Toowoomba
- $70 million over 4 years, and $21 million per annum ongoing, to support an increase to the Patient Travel Subsidy Scheme (PTSS) which primarily supports Queenslanders in rural and regional areas to access specialist medical services not available locally.

The government is also providing a $29 million boost to the initial $25 million election commitment for the Browne Park redevelopment in Rockhampton.

More broadly, the increase in royalties due to the windfall prices enjoyed by coal producers has also enabled the government to provide ongoing substantial support to regional businesses across the state, by extending the one per cent regional discount on payroll tax for a further 7 years until June 2030, estimated to cost more than $500 million over the 4 years to 2026–27.

Coal prices

Global coal prices have experienced an unprecedented surge since mid-2021, with the premium HCC spot price averaging US$392 per tonne (/t) in 2021–22, an increase of 220 per cent on 2020–21. This surge in coal prices has been driven by a number of short-term factors including:

- China's strong demand for coal from other exporters since late 2020, due to its reduced importation of Australian coal at that time, appears to have distorted global market dynamics, leading to a shortage in supply and potentially contributing to upward pressure on prices
- European buyers reducing their purchases of Russian coal following the commencement of the Russia-Ukraine conflict in early 2022. This also led to concern about securing supply, putting further upward pressure on prices
- COVID-19 impacts and a range of weather-related supply shortages across 2022 and early 2023.

As noted in the 2022–23 Queensland Budget and 2022–23 Budget Update, these factors are all expected to be temporary in nature. In particular, COVID-19 and weather-related impacts are expected to subside, resulting in an easing of the supply constraints and thus lessening the upward pressure on coal prices. Therefore, global coal prices are expected to continue to unwind over coming quarters to align more with medium-term expectations.

However, to date, throughout late 2022 and the first half of 2023, coal prices have remained higher than previously expected and exceptionally strong compared with historical prices.

While the higher-than-expected coal prices seen in early 2023 have led to a large short-term boost to royalty revenues in 2022–23, the sustained higher global prices have also resulted in a sustained period of extraordinary returns and profits for the state’s major coal producers.

Across the 2021 calendar year, the value of Queensland coal exports totalled $39.5 billion, a growth of 41 per cent compared to the 2020 calendar year total of $28.0 billion. The value of coal exports across 2022 was more than double that of 2021, totalling $83.5 billion, or 3 times the value of coal exported only 2 years earlier.

Continued high prices in early 2023 have sustained the extraordinary returns being received by the state’s coal producers. The latest ABS data shows that the value of Queensland’s coal exports over the 12 months to March 2023 have remained at exceptionally high levels, at $80.0 billion, highlighting the extended period over which coal producers have been receiving exceptionally high prices and revenues.

While coal prices are expected to decline significantly over time, the precise timing and magnitude of such a decline is not known. Queensland Treasury has taken an appropriately conservative approach to its coal forecasts and assumed prices will normalise over time, with HCC and thermal coal prices returning to more sustainable medium-term levels in early 2024 and late 2024 respectively.

Given the expectation of lower coal prices over subsequent years compared with the prices seen across 2021–22 and so far in 2022–23, coal royalty revenue is forecast to decline by 65.1 per cent in 2023–24 and by a further 24.7 per cent in 2024–25.

Coal royalty revenue is forecast to grow by 5.0 per cent in 2025–26 and by a further 4.1 per cent in 2026–27 with crown export coal tonnages[1] forecast to gradually increase over this period. This largely reflects the continued recovery in global economic activity.

Coking coal prices

At the time of the 2022–23 Budget Update, HCC spot prices were expected to average US$231/t in December quarter 2022 and decline to US$177/t in March quarter 2023. HCC prices were expected to decline across the remainder of 2022–23 reaching US$160/t by June 2023.

Prices have fallen substantially since the unprecedented levels in early to mid-2022, with HCC prices averaging US$271/t (A$405/t) in April 2023, a fall of 43 per cent compared to April 2022.

[1] Excludes coal where royalties are not paid to the Queensland Government, that is, private royalties.

However, HCC prices remained stronger than expected following the 2022–23 Budget Update, growing from an average of US$279/t (A$426/t) in December quarter to an average of US$343/t (A$501/t) across March quarter.

The continued strength in HCC prices so far in 2023 has been driven primarily by concerns around supply, in particular due to the impacts of wet weather. In particular, January 2023 was a particularly wet month in Queensland's coal mining regions, with delays in port loadings and several major producers indicating wet weather in late 2022 and early 2023 was a factor in reducing supply. For example:

- major ports in Queensland experienced delays of 1-2 weeks in mid-January due to issues with loading caused by the heavy rainfall
- in their December 2022 production reports, several major coal companies, including BHP, Yancoal, Stanmore, Coronado, Glencore and Anglo American, cited wet weather as a factor in reducing supply
- a train collision caused Aurizon to close its Blackwater coal rail system in Central Queensland. The rail line was closed from 29 January to 12 February, with coal exports from the Port of Gladstone falling by 2.8 million tonnes (Mt) in February
- Severe Tropical Cyclone Gabrielle formed off the coast of North Queensland in February, which affected shipping going to Queensland ports, resulting in delays and increasing prices.

There is a consensus among market analysts that the recent surge in HCC prices cannot be sustained indefinitely, and prices are still expected to decline over coming quarters as weather-related issues constraining supply diminish and international markets continue to adjust to other temporary factors that have contributed to the recent high prices. For example:

- the Commonwealth Department of Industry Science and Resources' Office of the Chief Economist (OCE) stated that *'prices are expected to ease slowly over the outlook period, with the largest fall expected in 2023 as supply conditions (notably in Australia) improve and normalise*[1]*'*
- Wood Mackenzie indicated that '*supply availability recovers and trade flow inefficiencies are worked out, pushing prices down in the next three years*[2]*'*
- S&P Global Commodity Insights reported that '*prices are largely driven by the weather impact on mining and shipping operations in the Australian state of Queensland, as evidenced by the strong prices earlier in the year. With drier weather in store now the three-year La Nina event has finished, along with the end of the rainy season in northern Australia, supply is set to increase*[3]*'*

[1] Department of Industry, Science and Resources, Commonwealth of Australia (2023), *Resources and Energy Quarterly March 2023*. www.industry.gov.au/req accessed 3 April 2023.

[2] Wood Mackenzie (2023). Global Metallurgical Coal Strategic Planning Outlook H1 2023.

[3] Bartholomew, P., Cao, S., Hao, C. (2023) Coking coal prices heading lower in Q2. S&P Global Commodity Insights 4 May 2023.

- The International Energy Agency[1] expect Australian metallurgical coal supply to improve '*as weather conditions normalise, improving mine and infrastructure performance. Conditions were poor for three consecutive years due to the La Nina weather phenomenon. In addition, met coal projects under development are expected to advance as they continue to find financing, insurance and government support*.'

However, global coal prices are now expected to be slightly higher in the longer term than previously expected, as global markets continue to adjust over time to factors impacting market dynamics and prices such as:

- higher hard coking coal prices continuing to be sustained in early 2023 compared to previous expectations, with market analysts and forecasters now generally expecting prices to remain higher for longer than previously expected
- China's decision to lift its strict COVID-19 restrictions in late December/early January, which is expected to provide some potential upside to overall global demand for coal, including Australian coal, over time
- the likelihood of ongoing impact of global cost pressures in a high inflation environment, including the impacts of prevailing supply chain constraints and labour market tightness
- the impacts of decarbonisation efforts on mining costs in the medium term.

These expectations are broadly consistent with the views outlined in the 2023–24 Federal Budget which provided the following commentary around the short to medium-term outlook for commodity prices[2]:

- *a series of significant and interrelated shocks have affected global commodity markets in recent years. In early 2022, Russia's invasion of Ukraine precipitated a shift in global commodity supply, including a significant reduction in global gas supply and forced restructuring of global oil trade flows*
- *major weather disruptions in key producing regions, including for coal production in Australia and iron ore production in Brazil, reduced both the level and reliability of non-Russian supplies to global commodity markets*
- *the global economy has also experienced a sustained period of cost inflation that has increased production costs across the global mining sector. Input prices for the Australian coal sector, for example, have increased by around 15 per cent since 2021*
- *strong cost inflation has built in a materially higher cost base across the industry that is expected to result in structurally higher prices over the medium term.*

As a result, while HCC prices are still expected to moderate substantially across 2023 from the exceptional prices seen in 2022 and early 2023, they are now expected to average US$175/t across the 3 years from 2024–25 to 2026–27 compared to the previous forecast of US$160/t over those years.

[1] IEA (2022), *Coal 2022*, IEA, Paris https://www.iea.org/reports/coal-2022 accessed 25 May 2023.

[2] The Commonwealth of Australia (2023). *2023–24 Budget – Budget Strategy and Outlook* www./budget.gov.au/content/bp1/index.htm accessed 22 May 2023.

The upward revision to coal price forecasts in forward years compared to those expected at the time of the 2022–23 Queensland Budget is consistent with other forecasters, for example:

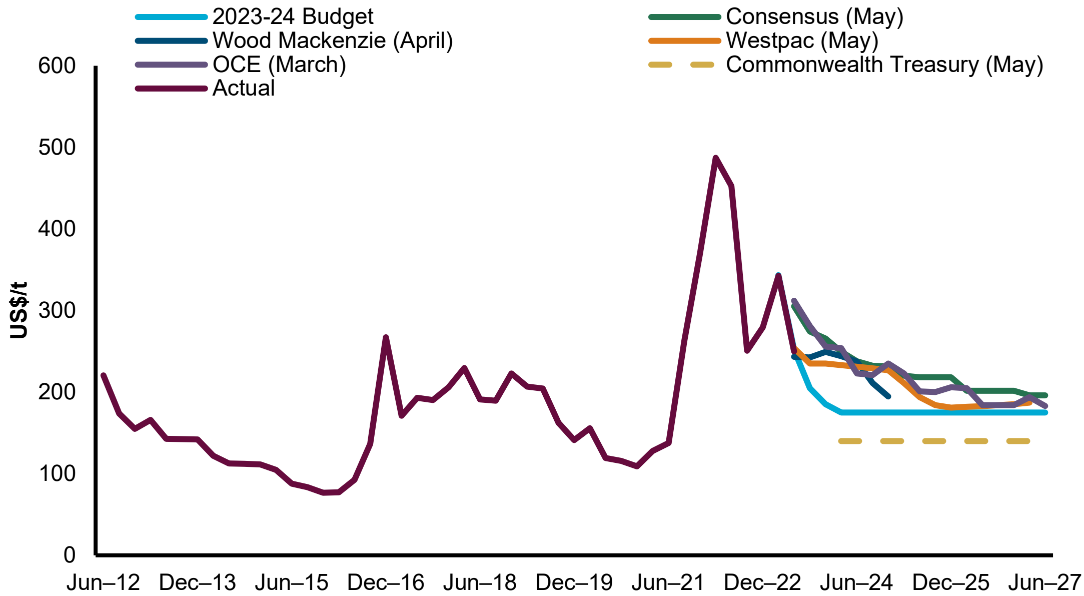
- Consensus Economics' May 2023 HCC price forecasts were revised upwards compared to those in May 2022, as follows: up from US$209/t to US$238/t in 2024; from US$184/t to US$219/t in 2025; and from US$162/t to US$202/t in 2026
- OCE's March 2023 HCC spot price forecasts were revised upwards compared to those in March 2022 as follows: up from US$157/t to US$233/t in 2024; from US$154/t to US$208/t in 2025; from US$152/t to US$189/t in 2026; and from US$150/t to US$188/t in 2027.

Chart 4.7 shows HCC price forecasts compared to the latest quarterly price forecasts from Consensus Economics, Wood Mackenzie, Westpac, OCE, and the Commonwealth Treasury.

This comparison shows that the expected sharp decline in coal prices from current levels is broadly consistent with the expectations of other key forecasters that global coal prices will be substantially lower over coming quarters and years. Queensland Treasury's medium-term anchor price of US$175/t for HCC is similar to most other forecasters, although the pace of adjustment differs.

As at 31 May 2023, the June quarter 2023 HCC spot price averaged US$250/t, which is closely aligned with Queensland Treasury's implied forecast for average spot prices of US$252/t in the quarter. Other key forecasters' estimated spot price for June quarter 2023 ranged from US$243/t (Wood Mackenzie, April 2023 forecast) to US$312/t (OCE, March 2023 forecast).

Chart 4.7 Coking coal price forecasts[1,2]



Notes:

1. Actual price for June quarter 2023 reflects the average actual spot prices up until 31 May 2023
2. Spot prices used where possible. Where spot prices are unavailable, contract prices have been used.

Sources: Consensus Economics, Wood Mackenzie, Westpac, OCE, Commonwealth Treasury, and Queensland Treasury.

Thermal coal prices

The Russia-Ukraine conflict and associated sanctions led to a sustained surge in premium thermal coal prices beyond those expected in the 2022–23 Queensland Budget. For example, premium thermal coal spot prices[1] rose from an average of around US$389/t (A$551/t) in May 2022 to a peak of around US$458/t (A$675/t) in early September 2022.

Thermal coal prices have since fallen substantially as expected at the time of the 2022–23 Budget Update, averaging around US$253/t (A$369/t) across March quarter 2023 as the extreme tightness in spot availability of high-energy coal started to subside. However, they remain elevated compared to previous levels, for example premium thermal coal (spot) prices averaged around US$79/t (A$105/t) in 2020–21.

The price for premium thermal coal is still expected to decline further from its recent peaks. However, consistent with the medium-term price outlook in the 2022–23 Budget Update, the spot price is now expected to decline to US$153/t (A$209/t) across 2023–24 before reaching a medium-term level of US$120/t (around A$160/t) across 2024–25, 2025–26, and 2026–27.

[1] Based on Newcastle 6,300 GAR spot prices.

This mainly reflects expectations that, regardless of when the conflict in Ukraine ends, the ongoing impacts of sanctions and changes in global market dynamics resulting from the conflict will continue to impact over the medium term.

Importantly, the expectation that global coal prices may now remain slightly higher over the medium term than previously expected also implies the state's coal producers will receive greater revenues than previously expected.

By way of illustration, the upward revision to coal price forecasts in this Budget, compared to the 2022–23 Queensland Budget forecasts, is estimated to result in an indicative uplift to coal producer revenue of around $8.1 billion in each 2023–24, 2024–25, and 2025–26.

In comparison, the expected higher prices over the medium term will only result in an estimated uplift in state revenues from the new tiers of around $657 million in 2023–24, and around $90 million in 2024–25 and in 2025–26 compared with the revenue expected from the new tiers at the time of the 2022–23 Queensland Budget.

Coal export volumes

Chart 4.8 shows coal export tonnage forecasts compared to the 2022–23 Queensland Budget outlook. This highlights that coal export tonnages have been revised downwards by around one per cent over the 4 years ending 2025–26.

The reduced export tonnages compared to the 2022–23 Queensland Budget are due to downward revisions in thermal coal exports. This is because Australian thermal coal exports to India have fallen sharply over the past year.

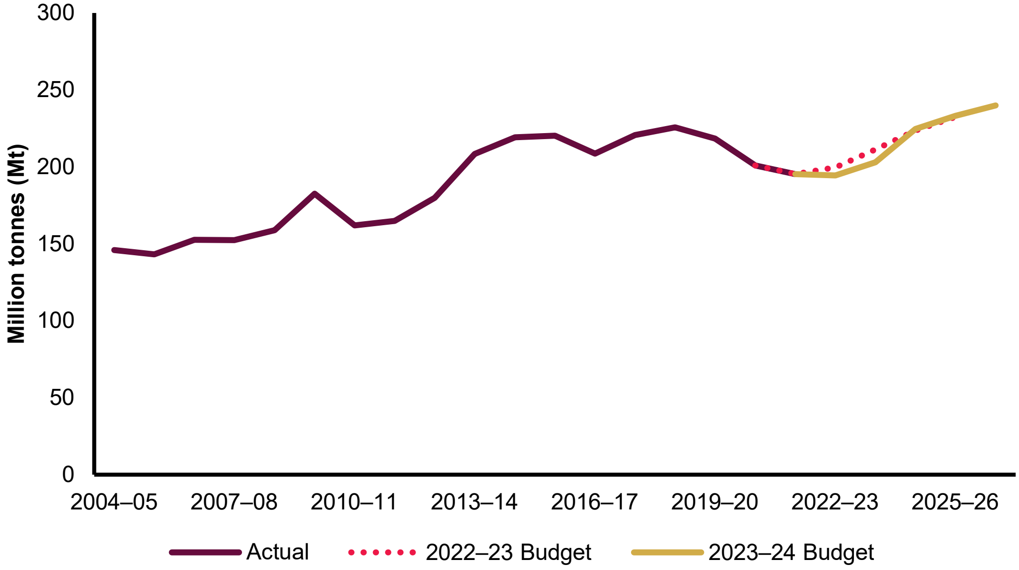
In 2022, Indian thermal imports from Indonesia increased by 30.7Mt compared to 2021 and imports from Russia increased by 6.7Mt. Meanwhile Indian thermal coal imports from South Africa fell by 20.7Mt in 2022, while imports from Australia fell by 9.3Mt. This reflects the impacts of the relatively high Australian thermal coal prices compared with some cheaper alternatives, including from Russia.

This downward revision is partially offset by an upward revision in forecast metallurgical coal exports. This is driven by a range of factors, including China's re-opening of the economy from COVID-19 restrictions and indications China is willing to reconsider importing coal from Australia, both of which may lead to upward pressure on demand globally and demand for Australian coal.

In addition, the decision by some key markets, including Japan and Taiwan, to not import Russian coal has increased the upside for exports of PCI coal[1].

[1] PCI coal is used in the blast furnace route of steelmaking to provide heat to the process to reduce use of higher priced coking coal. Queensland is one of the major suppliers of high quality PCI coal in the Asian market.

Chart 4.8 Export coal tonnages[1]



Note:

1. Includes coal exports where royalties are not paid to the government, i.e. private royalties. This will not align with tonnages presented in Appendix C which exclude private royalties.

Source: Unpublished ABS trade data and Queensland Treasury

An ongoing risk to global coal demand and export volumes over the medium to longer term is that Japan and South Korea have committed to achieving net zero CO_2 emissions by 2050, while China has committed to achieve this by 2060. This may lead to an earlier reduction in thermal coal consumption in these countries than previously expected.

In addition, several South East Asian nations have announced policies to phase out coal fired power generation over the longer term. Queensland exported 11.8Mt of thermal coal to South East Asia in 2022, accounting for 22.5 per cent of total thermal coal exports, with most of this exported to Vietnam (7.5Mt) and Singapore (1.9Mt).

However, as outlined above, given the majority of Queensland's coal exports are metallurgical coal, it is still expected that international demand should continue to support Queensland's coal exports over coming decades.

As outlined in Queensland Treasury's report on *Queensland's Coal Industry and Long-Term Global Coal Demand* (November 2022), the positive outlook for Queensland's long term metallurgical coal industry reflects several key factors[1]:

- Queensland continues to offer an attractive environment for investment in coal, reflecting its numerous competitive advantages including its high-quality hard coking coal, proximity to the fast-growing Asian region, efficient supply chain, good infrastructure, and skilled workforce.
- Since mid-2022, there have been numerous announcements of substantial investments or acquisitions in the Queensland coal industry, providing a clear indication of coal producers' ongoing confidence and appetite to invest in Queensland.
- Queensland accounted for around 90 per cent of Australia's metallurgical coal production in 2021–22 and, given around 70 per cent of the state's coal production in 2021–22 was metallurgical coal, Queensland's coal industry remains relatively well placed over the longer term compared with other jurisdictions that are much more reliant on thermal coal production and exports.
- As such, Queensland's coal industry continues to enjoy key advantages compared with many of its global competitors.

[1] Queensland Treasury (2022) Queensland's Coal Industry and Long-Term Global Coal Demand November 2022. https://s3.treasury.qld.gov.au/files/Queensland%E2%80%99s-Coal-Industry-and-Long-Term-Global-Coal-Demand_November-2022.pdf Accessed 22 May 2023.

Box 4.8 Queensland coal producers continue to enjoy strong returns and profits

In the lead up to the 2022–23 Queensland Budget, coal producers were benefitting substantially from an exceptional surge in global coal prices, with spot metallurgical coal prices reaching as high as around A$900/t.

At the time, prices were expected to decline significantly as the temporary nature of the key factors driving the spike in global coal prices were expected to unwind relatively quickly.

However, following the 2022–23 Queensland Budget, premium thermal coal prices surged to a peak of around A$675/t in September 2022. While prices have since moderated from these highs, they remain elevated compared to historical levels. In addition, while hard coking coal prices began to moderate following the 2022–23 Queensland Budget, they have remained stronger for longer than expected.

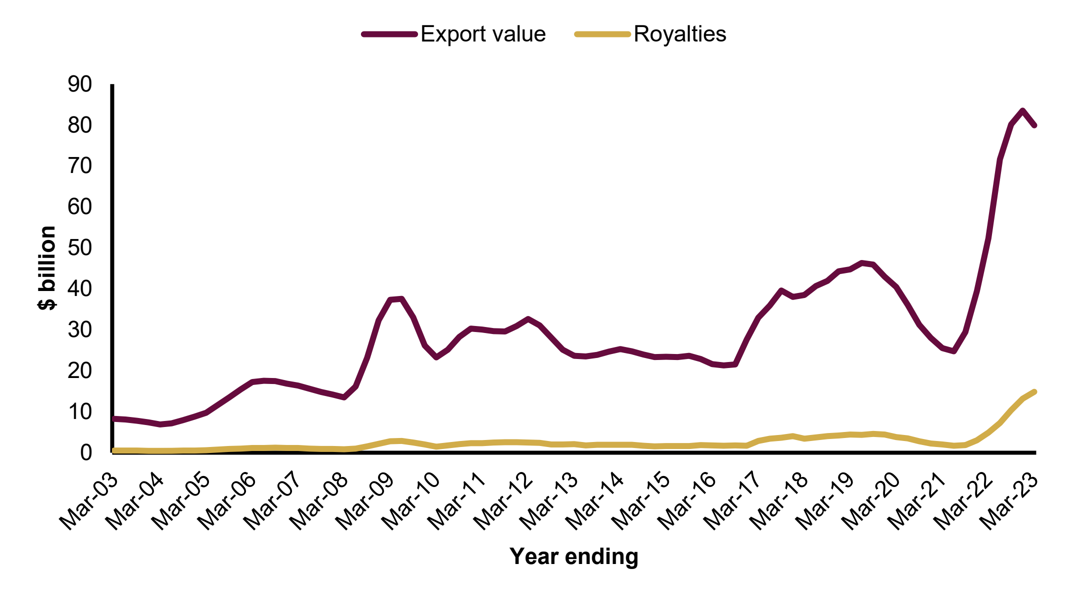
As outlined in Queensland Treasury's report, *Queensland's Coal Industry and Long Term Global Coal Demand* (November 2022), this unprecedented surge in coal prices has seen the value of Queensland coal exports (and, therefore, the revenues and profits being enjoyed by the state's coal mining companies) increase significantly to record levels.

The ongoing high prices across 2022 saw coal producers continuing to receive record levels of revenue, with ABS data showing that the value of Queensland's coal exports in 2022 increased by a further 112 per cent to reach a new record high of A$83.5 billion, 3 times the value of coal exports recorded only 2 years earlier.

Continued high prices in early 2023 have sustained the extraordinary returns being received by the state's coal producers, with the latest ABS data showing that the value of Queensland's coal exports over the 12 months to March 2023 remained at exceptionally high levels, at A$80.0 billion.

Chart 4.9 shows Queensland's total coal export values over the past 20 years, highlighting the exceptional and unprecedented returns being received by Queensland's coal producers during the recent extended period of high prices, including the extent of those increased revenues to coal companies compared with the royalties to Queenslanders.

Chart 4.9 Value of coal exports – rolling annual sum[1]



Note:

1. The most recent 2 months of data are provisional and subject to revision.

Source: Unpublished ABS trade data

Prior to the 2022–23 Queensland Budget, the highest marginal royalty rate applicable to Queensland coal royalties was 15 per cent, payable on that part of the average price per tonne exceeding A$150. This royalty rate structure was not providing a fair return to Queenslanders during periods of exceptionally high prices.

To ensure a fairer return to the people of Queensland, at the 2022–23 Queensland Budget, the government introduced 3 additional tiers to the coal royalty structure, with effect for coal sold, disposed of or used on or after 1 July 2022.

Since that time, global coal prices have remained stronger for longer than expected, but the recent surge in coal prices cannot be sustained indefinitely. Prices are still expected to decline in coming quarters as the current temporary drivers of higher prices diminish and international markets adjust.

However, given the various factors impacting global coal market dynamics, global coal prices are now expected to be slightly higher in the longer term than previously expected.

When prices are high coal miners receive higher revenues and profits. As prices adjust downwards and drop below key price thresholds, they will no longer trigger the higher royalty tiers, and royalty revenue will fall significantly.

Petroleum royalties

Compared to coal, petroleum royalties make up a smaller share of total royalties, though petroleum royalties have grown strongly as the export industry has matured.

Oil prices factor strongly into petroleum royalty forecasts. Most of the LNG produced in Queensland is sold under long-term contracts linked to oil prices, while the production level of the 3 major LNG plants is expected to be relatively stable across the forward estimates.

For 2022–23, petroleum and gas royalties are estimated to total $2.332 billion, almost double 2021–22.

Oil prices were at unexpectedly high levels throughout 2022 following Russia's invasion of Ukraine, with concerns surrounding global oil supply due to sanctions on Russian oil. However, global oil production has since outpaced global oil consumption, which has seen oil prices moderate from their record high levels to pre-Ukraine war levels. While uncertainty in the market resulting from the war remains, its impact on oil prices has lessened greatly.

LNG prices, which are linked to oil prices, have benefitted greatly from these elevated oil prices. While oil prices have fallen throughout 2022–23, the lag in LNG contracts mean that LNG prices are expected to remain relatively high for a period, driving the expected growth in petroleum royalties compared with 2021–22.

LNG prices are expected to fall in 2023–24, with petroleum royalties expected to decline by around 45.3 per cent in 2023–24 and by a further 4.1 per cent in 2024–25.

Oil price (and subsequently LNG price) forecasts have been revised down since the 2022–23 Queensland Budget.

Other royalties

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

Revenue from other royalties is estimated to total $477 million in 2022–23, 2.8 per cent lower than in 2021–22. This is mainly driven by heavy rainfall in early March 2023 causing significant mine access and flooding issues with several large operations shutting down. This is partially offset by a decline in shipping costs (which are deductible when calculating royalties) from previously elevated levels due to COVID-19-related issues.

Other royalties are expected to grow by around 5.5 per cent in 2023–24 reflecting an expected return to previously expected production levels following the disruptions caused by flooding as well as an expected increase in bauxite volumes.

Across the 3 years to 2026–27, other mineral royalties are forecast to decline on average by around 4.4 per cent per annum, driven by a reduction in copper, lead, and zinc volumes.

Land rents

Revenue from land rents derived from mining and petroleum leases and pastoral holdings is estimated to total $183 million in 2022–23. This is 7.5 per cent higher than in 2021–22 but 3.4 per cent lower than expected at the 2022–23 Budget, due to fewer leases subject to land rent than anticipated.

Revenue from land rents is forecast to grow by 6.3 per cent in 2023–24 driven by higher rental valuations.

Revenue from land rents is then expected to grow by 2.4 per cent per annum over the forward estimates.

4.4.4 Sale 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.

Table 4.6 Sales of goods and services[1]

	2021–22 Actual $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Fee for service activities	2,696	2,959	3,236	3,331	3,305	2,995
Public transport: South East Queensland	203	275	338	358	371	385
Rent revenue	549	554	595	620	633	644
Sale of land inventory	94	53	94	75	105	131
Hospital fees	810	875	827	827	837	844
Transport and traffic fees	509	553	574	597	620	645
Other sales of goods and services	1,036	1,075	1,257	1,162	1,183	1,226
Total	**5,896**	**6,344**	**6,921**	**6,969**	**7,054**	**6,871**

Note:

1. Numbers may not add due to rounding.

The government provides substantial 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.

Appendix A provides details of the concession arrangements provided by the Queensland Government.

Fee for service activities

Examples of 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 TAFE colleges
- fees charged by CITEC to commercial clients for information brokerage services.

Other sales of goods and services

As shown in Table 4.6, revenue is also raised from 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.

4.4.5 Interest income

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

Interest income is estimated to total $3.166 billion in 2022–23, 11.2 per cent higher than expected at the 2022–23 Budget, and 19.8 per cent higher than received in 2021–22. The increase in interest income in 2022–23 largely driven by interest earnings on investment of Queensland's increased resources-related revenue.

Interest income is expected to grow by a further 1.3 per cent in 2023–24, before declining across the remaining forward estimates as investments are drawn down to fund priority infrastructure projects largely undertaken by Public Non-financial Corporation sector entities.

4.4.6 Dividend and income tax equivalent income

Revenue from dividend and income tax equivalent income is estimated to total $1.043 billion in 2022–23, $253 million (32.0 per cent) higher than in 2021–22, but $456 million (30.4 per cent) lower than expected at the time of the 2022–23 Queensland Budget.

Higher dividends in 2022–23 compared to 2021–22 reflect a return to normal government owned corporation (GOC) dividend policy in 2022–23 following the government's prior year decision to allow the GOCs to retain 2021–22 dividends for critical infrastructure and growth initiatives. This reflects steady earnings growth across this sector.

Dividends and income tax equivalents are expected to increase from $1.521 billion in 2023–24 to $1.958 billion by 2026–27. This reflects steady earnings growth across the energy generation sector, as investment in new renewable generation grows and wholesale prices stabilise and significant volumes of new renewable generation and energy storage enter the market.

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

4.4.7 Other revenue

Other revenue, including royalty revenue, accounts for 10.8 per cent of total General Government Sector revenue in 2023–24 (see Table 4.7). Royalties and land rents account for 8.9 per cent of total revenue in 2023–24 and are discussed in detail in section 4.4.3.

The major fines included in this category include speeding, red light, mobile phone and seatbelt camera detected offences and tolling offences.

This revenue is expected to grow by 53.0 per cent in 2022–23, partly driven by the increase in penalties for high-risk driving offences, and the full year impact of mobile phone and seatbelt detection cameras. This revenue is then expected to decline by 4.7 per cent in 2023–24 driven by expected behavioural changes associated with the mobile phone and seatbelt camera infringements and grow by 5.4 per cent in 2024–25 reflecting changes to the forward camera program schedule.

After providing for the cost of administration, funds raised from camera detected offences are allocated to allowable road safety initiatives in accordance with the legislation. Such initiatives include road funding to improve the safety of the sections of state-controlled roads based on risk assessment, road safety education and awareness programs, enabling practices and behaviours that improve road safety and road accident injury rehabilitation programs.

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

Table 4.7 Other revenue[1]

	2021–22 Actual $ million	2022–23 Est. Act $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Royalties and land rents	9,088	18,288	7,318	5,929	6,032	6,087
Fines and forfeitures	558	853	814	857	859	859
Revenue not elsewhere classified	1,065	795	719	1,221	718	704
Total other revenue	**10,710**	**19,937**	**8,850**	**8,008**	**7,609**	**7,650**

Note:

1. Numbers may not add due to rounding.

5 Expenses

Features

- The 2023–24 Budget provides a substantial range of expense measures to address the immediate cost-of-living pressures facing households and businesses across Queensland, boost health funding, further support programs to alleviate housing pressures and strengthen Queensland's community safety and youth justice systems.
- Estimated General Government Sector expenses for 2023–24 are estimated to be $84.261 billion, an increase of $8.944 billion (or 11.9 per cent) on 2022–23.
- New cost-of-living measures are mostly contained to 2023–24, with expenses growth expected to fall by 2.7 per cent in 2024–25 before growing moderately across the remainder of the forward estimates.
- Total expenses are projected to grow at an average annual rate of 4.0 per cent over the 5 years to 2026–27.
- In 2023–24, the major areas of expenditure are in the key frontline services of health and education, which constitute approximately 52.3 per cent of General Government Sector expenses.

This chapter provides an overview of General Government Sector expenses for the forecast 2023–24 Budget year and projections for 2024–25 to 2026–27. The forward estimates are based on the economic projections outlined in Chapter 2.

5.1 2022–23 estimated actual

General Government Sector expenses in 2022–23 are estimated to total $75.317 billion, 0.5 per cent above the 2022–23 Budget estimate, largely attributable to the timing of other operating expenses and grants expenses and higher depreciation costs following revaluations of infrastructure assets in 2021–22.

5.2 2023–24 Budget and outyears

Table 5.1 General Government Sector expenses[1]

	2021–22 Outcome $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Employee expenses	28,068	30,279	32,175	32,825	33,864	34,930
Superannuation interest costs	377	775	721	665	621	587
Other superannuation expenses	3,387	3,733	4,188	4,302	4,419	4,523
Other operating expenses	18,228	20,287	22,969	21,615	21,781	22,411
Depreciation and amortisation	4,506	4,910	5,039	5,242	5,443	5,672
Other interest expenses	1,508	1,715	1,974	2,472	2,984	3,520
Grants expenses	13,817	13,618	17,195	14,845	13,542	13,570
Total Expenses	**69,889**	**75,317**	**84,261**	**81,967**	**82,653**	**85,214**

Note:

1. Numbers may not add due to rounding.

The 2023–24 Budget provides a substantial range of expense measures to address the cost-of-living pressures facing Queenslanders across the state. These measures provide critical and targeted cost-of-living relief for households, businesses and vulnerable Queenslanders.

In 2023–24, General Government Sector expenses are estimated to be $84.261 billion, an expected increase of $8.944 billion (or 11.9 per cent) over the estimated actual for 2022–23. This increase is due in large part to temporary factors including:

- $1.483 billion in additional electricity bill support to households and small businesses facing cost-of-living pressures. All Queensland households will automatically receive a $550 Cost of Living Rebate on their electricity bill in 2023–24, while around 600,000 vulnerable households will benefit from a higher $700 Cost of Living Rebate. Eligible small businesses will also receive an automatic rebate of $650 on their electricity bill in 2023–24
- significant $1.7 billion in Disaster Recovery Funding Arrangement (DRFA) expenses in 2023–24, largely for the South East Queensland rainfall and flooding event in the summer of 2022
- costs associated with the most recent public sector wages offer including a Cost of Living Adjustment (COLA) payment for employees where inflation exceeds headline wage increases established in agreements
- energy initiatives under the *Queensland Energy and Jobs Plan* (QEJP) and community investment programs in regional Queensland, such as the Resources Community Infrastructure Fund.

General Government Sector expenses are expected to decline by 2.7 per cent in 2024–25 as most of the cost-of-living measures are largely limited to addressing inflationary pressures within 2023–24.

5.3 Expenses by operating statement category

As outlined in Chart 5.1, employee and superannuation expenses account for 44 per cent of the General Government Sector expenses. Other operating expenses (27.3 per cent) follows, reflecting non-labour costs of providing goods and services to government and non-government recipients including, for example, repairs and maintenance but also transport service contract payments to Queensland Rail, subsidies to households and payments to contractors.

Chart 5.1 Expenses by operating statement category, 2023–24

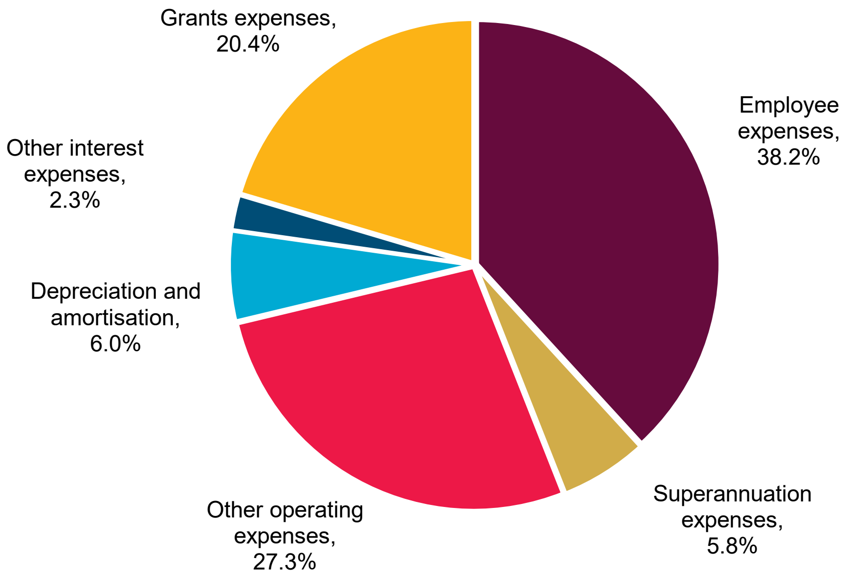
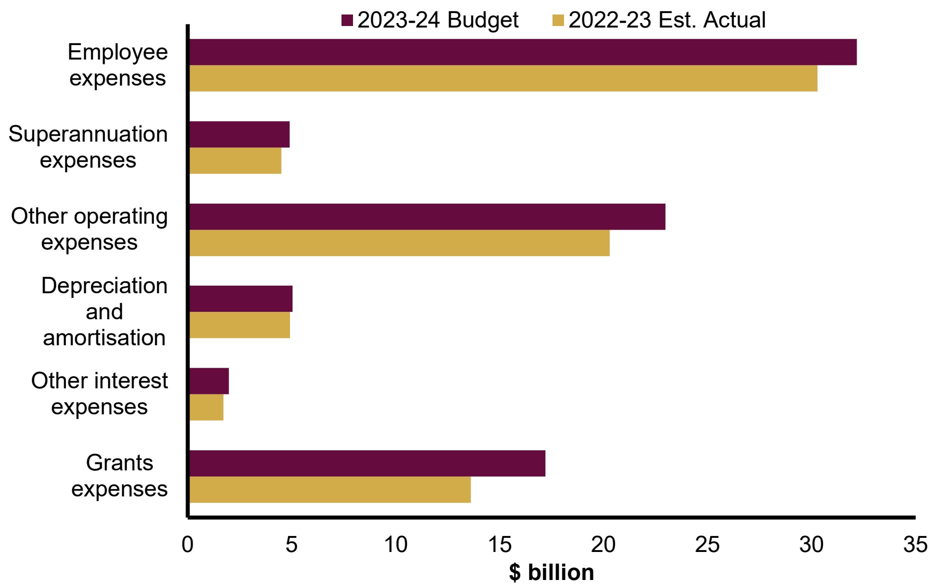


Chart 5.2 Expenses by operating statement category, 2023–24



5.3.1 Employee expenses

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

In 2023–24, employee expenses are expected to be $32.175 billion, $1.896 billion or 6.3 per cent higher than the 2022–23 estimated actual. This increase is due in part to the public sector wage offer and related cost-of-living payments to employees and growth of 1.86 per cent in full-time equivalent employees.

Employee expenses growth is expected to be lower in 2024–25, compared to 2023–24 partly as the cost-of-living payments to employees described below are not expected to be triggered post 2023–24.

Public sector wages policy

Queensland's public servants are dedicated to delivering essential services to Queenslanders. The majority of public sector certified agreements nominally expired during 2022 or will expire during 2023. The government has always promoted good faith bargaining and in a climate of escalating cost of living, it has established a public sector wages offer that includes the following elements:

- 3-year agreements with wage increases of 4 per cent in years one and two and 3 per cent in year three. This is higher than the previous 2.5 per cent in recognition of prevailing economic circumstances and maintains capacity for strong frontline service delivery

- a Cost of Living Adjustment (COLA) payment for employees where inflation exceeds headline wage increases established in agreements. Where the relevant Brisbane consumer price index (March quarter annual percentage change) is higher than the relevant wage increase under a certified agreement, eligible employees will receive a once-off COLA payment equivalent to the percentage point difference, applied to their base wages and capped at 3 per cent.

Full-time equivalents

The government is delivering on its commitment to revitalise frontline service delivery. This has contributed to full time equivalents (FTE) increasing by 44,900 FTE from 2014–15 to 2022–23.

As at March 2023, 91.1 per cent of public servants are engaged in frontline and frontline support roles, with 22,031 FTE in corporate service roles.

The government is also committed to ensuring that public service staff are located where there is demand. Around 46 per cent of FTE are located outside Greater Brisbane, of which around 96 per cent are engaged in frontline and frontline support roles. Regional Action Plans show increases in key service delivery occupations across the regions.

FTE are estimated to increase by 4,666 (or 1.86 per cent) in 2023–24, driven principally by increases in Department of Youth Justice, Employment, Small Business and Training, Queensland Health and Queensland Police Service.

The Public Sector Commission publishes a bi-annual Queensland Public Sector Workforce Profile, which includes specific reporting of agencies listed in Table 5.2. The March 2023 workforce profile reports a total of 244,060 FTE for these agencies, an increase of 3,876 FTE since September 2022. The increase reflects growth of 3,190 FTE frontline and frontline support roles and 686 FTE non-frontline roles. It is noted that the reporting basis of the workforce profile reflects active FTE engaged at March 2023 while FTE levels reported in Table 5.2 reflect approved funded FTE positions for the financial year.

Table 5.2 Funded Controlled FTE positions by Department[1]

	2022–23 Adjusted Budget[2]	2022–23 Est. Act.[3]	2023–24 Budget
Agriculture and Fisheries	2,108	2,118	2,120
Child Safety, Seniors and Disability Services[4]	5,384	5,431	5,342
Education	76,774	76,726	77,160
Electoral Commission of Queensland	81	81	101
Energy and Public Works	2,303	2,317	2,576
Environment and Science[4]	2,863	2,864	2,958
Housing[4]	2,297	2,298	1,363
Justice and Attorney-General	3,792	3,806	4,075
Office of the Inspector-General Emergency Management	22	22	22
Premier and Cabinet	474	516	589
Public Service Commission	64	94	82
Queensland Audit Office	191	191	191
Queensland Corrective Services	6,606	6,663	7,249
Queensland Fire and Emergency Services	3,901	3,900	4,145
Queensland Health	105,686	105,686	106,743
Queensland Police Service	17,548	17,549	18,350
Queensland Treasury	1,302	1,301	1,426
Regional Development, Manufacturing and Water	602	676	714
Resources	1,425	1,427	1,442
State Development, Infrastructure, Local Government and Planning[4]	974	1,020	1,047
The Public Trustee of Queensland	606	606	633
Tourism, Innovation and Sport	472	503	570
Transport and Main Roads	8,675	8,769	9,564
Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts	1,903	1,907	679
Youth Justice, Employment, Small Business and Training[4]	4,778	4,883	6,879
Total	**250,831**	**251,354**	**256,020**

Notes:

1. Departmental FTE can also be found in the Service Delivery Statements (SDS).
2. Adjusted Budget reflects movements of FTE following Machinery of Government (MOG) changes (except for agencies per note 4).
3. May be subject to finalisation of MOG change negotiations.
4. For these agencies, the 2022–23 Adjusted Budget and 2022–23 Estimated Actuals information disclosed is presented on a pre-MOG change basis.

5.3.2 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, Australian Accounting Standards Board (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 plans.

Superannuation interest costs are dependent on the applicable discount rate at the beginning of the year. Following rate increases in 2021–22, superannuation interest costs are higher in 2022–23 before declining modestly in 2023–24 as forecast rates stabilise. Obligations of the defined benefit scheme, which is closed to new members, will decline over time as members leave.

Other superannuation expenses represent employer superannuation contributions to accumulated 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).

Other superannuation expenses are forecast to increase in 2022–23 and 2023–24 due in part to the public sector wage offer and new superannuation contribution arrangements coming into effect from 1 July 2023.

The Queensland Government is simplifying its employer superannuation contribution arrangements to 18 per cent of salary for police officers, 14.25 per cent for fire service officers and 12.75 per cent of salary for other employees. Superannuation contributions will be paid on base salary, ordinary time allowances and paid leave. Contribution rates into defined benefit categories remain unchanged, with defined benefit members receiving top up payments into accumulation accounts to match the above rates.

5.3.3 Other operating expenses

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

The Queensland Government provides additional funding to departments each year to enable appropriate indexation of service delivery arrangements with community services sector organisations in recognition of increasing costs. The NGO indexation rate, on which this funding is calculated, was approved at 3.88 per cent in the 2022–23 Budget Update.

The government is considering a revision to the 2023–24 NGO indexation rate in light of the Fair Work Commission's Annual Wage Review decision on 2 June 2023 and higher forecast inflation in 2023–24.

Other operating expenses in 2023–24 are estimated to total $22.969 billion, representing an increase of $2.682 billion or 13.2 per cent, compared to the 2022–23 estimated actual.

The increase in other operating expenses can be attributed to:

- $1.483 billion in additional electricity bill support to households and small businesses facing cost-of-living pressures. All Queensland households will automatically receive a $550 Cost of Living Rebate on their electricity bill in 2023–24, while around 600,000 vulnerable households will benefit from a higher $700 Cost of Living Rebate. Eligible small businesses will also receive an automatic rebate of $650 on their electricity bill in 2023–24
- school education-related initiatives and additional funding under the National School Reform Agreement and associated Bilateral Agreement
- an increase in transport funding including higher Transport Service Contract payments to Queensland Rail
- further support for domestic and family and sexual violence services and expansion of a comprehensive youth justice reform agenda to target serious repeat offenders, support community safety and address the complex causes of youth crime
- offset by agency contributions towards new budget initiatives, totalling $90 million in 2023–24.

5.3.4 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 the increasing investment in state infrastructure and asset revaluations.

5.3.5 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 such as hospitals and state schools.

Other interest expenses are estimated to increase $259 million in 2023–24 to $1.974 billion as borrowing with QTC increases to fund the expanded capital program.

Other interest expenses are estimated to be lower across all years of the forward estimates compared to the 2022–23 Budget Update due to the improved net cash flows from operating activities, mainly from the temporary uplift in royalty income in 2022–23.

5.3.6 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 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 also represent transfers to the PNFC Sector, local governments, not-for-profit institutions and non-state schools, businesses and households (including the Queensland First Home Owners' Grant) for capital purposes.

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

Table 5.3 Grant expenses[1]

	2021–22 Outcome $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million
Current			
Grants to local government[2]	1,581	450	755
Grants to private and not-for-profit organisations			
State funding for non-state schools	834	848	867
Australian Government funding for non-state schools	3,634	3,935	4,114
Other[3]	2,009	2,783	3,679
Grants to other sectors of government			
Community service obligations to PNFCs	550	645	560
Other payments to PNFCs and PFCs	59	137	160
Other (includes payments to NDIA)	2,142	2,092	2,347
Other	878	405	386
Total current grants	**11,686**	**11,295**	**12,868**
Capital			
Grants to local government[4]	1,262	1,498	2,111
State funding for non-state schools	118	123	127
Grants to private and not-for-profit organisations	326	444	1,295
Grants to PNFCs	41	43	411
Queensland First Home Owners' Grants	143	76	72
Other	240	139	311
Total capital grants	**2,130**	**2,323**	**4,327**
Total current and capital grants	**13,817**	**13,618**	**17,195**

Notes:

1. Numbers may not add due to rounding.
2. Current grants to local governments were higher in 2021–22 due to the advance payment by the Australian Government of Financial Assistance Grants for the 2022–23 financial year on-passed to local councils, and payments made in relation to waste disposal levy in 2021–22.
3. Other current grants to private and non-financial organisations include fuel subsidy payments as part of the joint program with the Australian Government to contain electricity price increases.
4. Capital grants to local governments increase in 2023–24 compared to 2022–23 in large part due to DRFA grants.

In 2023–24, grant expenses are estimated to total $17.195 billion, $3.577 billion higher than the 2022–23 estimated actual. The increase is mainly due to:

- lower Australian Government Financial Assistance Grants (FAGs) to local councils in 2022–23 with the Australian Government making the 2022–23 FAGs payments in the 2021–22 financial year
- implementation of a cap of $125 per tonne on the price of coal used for electricity generation in Queensland. This program is part of the Energy Price Relief Plan agreed by National Cabinet in December 2022 and funded in partnership with the Australian Government
- higher Australian Government grants on-passed to non-government schools
- substantial reconstruction and resilience programs under the DRFA in partnership with the Australian Government, in the main for the 2022 flooding disaster events. Further details are discussed in Chapter 3
- additional funding for the Resources Community Infrastructure Fund
- introduction of 15 hours per week of free kindergarten from 1 January 2024 for all 4-year-old children
- additional grant funding to support the delivery of social and affordable housing to address housing pressures
- provision for the transfer of non-financial assets to the PNFC sector.

Grants expenses are expected to decline in 2024–25 as some funding boosts conclude and the substantial DRFA program of work for the 2022 flood event draws closer to completion.

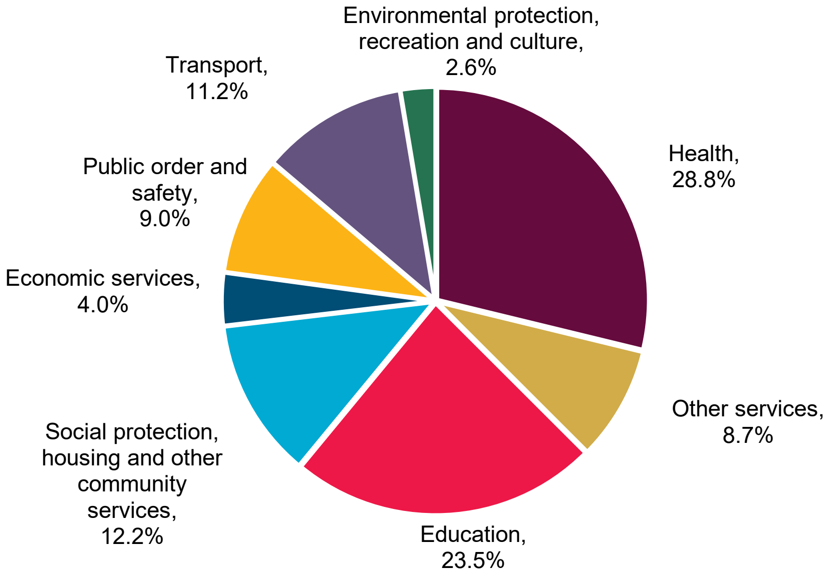
5.4 Operating expenses by purpose

Chart 5.3 indicates the proportion of expenditure by major purpose classification for the 2023–24 Budget. Health accounts for the largest share of expenses (28.8 per cent) followed by Education (23.5 per cent).

In 2023–24, the substantial Cost of Living Rebates to households and small businesses and additional funding to alleviate housing pressures increase the social protection, housing and other community services functions relative share of total General Government Sector expenses.

Similarly, disaster payments for local council road infrastructure under DRFA increase transport services and social protection, housing and other community services' respective share of expenses comparative to most other expenditure.

Chart 5.3 General Government Sector expenses by purpose, 2023–24



6 Balance sheet and cash flows

Features

- The increase in revenue is providing capacity to reinvest in the economy and service capacity while still keeping General Government Sector borrowings lower in 2025–26.
- General Government Sector net debt at 30 June 2023 is forecast to be $5.852 billion. This is less than half of what was expected at the time of the 2022–23 Budget.
- Net Debt in the General Government Sector is expected to be lower in every year of the forward estimates compared to estimates in the 2022–23 Budget.
- By 2025–26, Queensland's forecast net debt of $37.648 billion is around one quarter of the latest available estimate of $162.202 billion for Victoria (2023–24 Budget) and less than half of $116.505 billion (latest estimate, 2022–23 Half-Yearly review) for New South Wales.
- Forecast borrowings for 2023–24 have been progressively revised down since the 2021–22 Budget, consistent with prudent management of revenue improvements from unusually high commodity prices.
- As the Queensland Government continues to support jobs and economic growth, borrowing will grow over the forward estimates but is still expected to be $2.158 billion lower by 2025–26 than at the time of the 2022–23 Budget, and is expected to be $9.542 billion lower by 2024–25 than at the time of the 2021–22 Budget.
- The capital program over the 4 years to 2026–27 totals $89 billion. The profile of the capital program over the forward estimates includes public infrastructure investment in projects associated with the *Queensland Energy and Jobs Plan* (QEJP), delivering the health capacity expansion announced in the 2022–23 Budget, providing critical water infrastructure and preparing for the Brisbane 2032 Olympic and Paralympic Games.
- The Non-financial Public Sector (NFPS) capital program for the period 2023–24 to 2026–27 comprises $76.905 billion of purchases of non-financial assets (PNFA), $9.768 billion of capital grant expenses and acquisitions of non-financial assets under finance leases and similar arrangements of $2.055 billion.
- Positive NFPS operating cash flows of $48.118 billion are projected from 2022–23 to 2026–27. This will fund 53.2 per cent of the $90.507 billion PNFA over the same period.
- The net worth of the state has increased in 2022–23 by over $50 billion compared to the 2022–23 Budget estimates. The increase is due to the increase in the value of non-financial assets and investments, and improved operating position resulting in lower borrowings in 2022–23.

6.1 Overview

The balance sheet shows the projected assets, liabilities and net worth of the General Government Sector as at 30 June each year. A resilient balance sheet provides the government with the capacity to respond to immediate financial and economic events, such as those brought about by the prolonged COVID-19 variant outbreaks and the severity of recent natural disasters.

With a strong balance sheet supporting the government's targeted response to these events, the economy continues to recover and grow to assist Queenslanders in their time of need.

The cash flow statement shows the expected cash flows of the General Government Sector during each financial year of the forward estimates. While the operating statement is reported in accrual terms — that is, when revenues and expenses are recognised — the cash flow statement is reported in cash terms — that is, when revenues are received, and payments are made.

The largest differences between cash and accrual accounting relate to depreciation and defined benefit superannuation.

6.2 Balance sheet

Table 6.1 summarises the key balance sheet aggregates for the General Government Sector.

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

	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Financial assets	76,000	79,580	84,347	87,778	91,246	94,751
Non-financial assets	261,316	297,064	304,312	314,265	322,951	331,199
Total assets	**337,316**	**376,644**	**388,659**	**402,043**	**414,197**	**425,950**
Borrowings	66,459	54,693	65,479	76,040	85,127	94,814
Advances	1,745	1,782	1,734	1,818	2,236	2,184
Superannuation liability	24,069	21,205	20,827	20,075	19,047	17,752
Other provisions and liabilities	28,790	29,753	29,845	30,209	30,521	30,120
Total liabilities	**121,062**	**107,434**	**117,886**	**128,142**	**136,930**	**144,870**
Net worth	**216,254**	**269,210**	**270,774**	**273,900**	**277,266**	**281,080**
Net financial worth	**(45,062)**	**(27,853)**	**(33,538)**	**(40,365)**	**(45,685)**	**(50,119)**
Net financial liabilities	**67,517**	**52,570**	**61,953**	**73,129**	**81,905**	**89,603**
Net debt	**19,772**	**5,852**	**16,190**	**28,074**	**37,648**	**46,934**

Note:

1. Numbers may not add due to rounding.

6.2.1 Financial assets

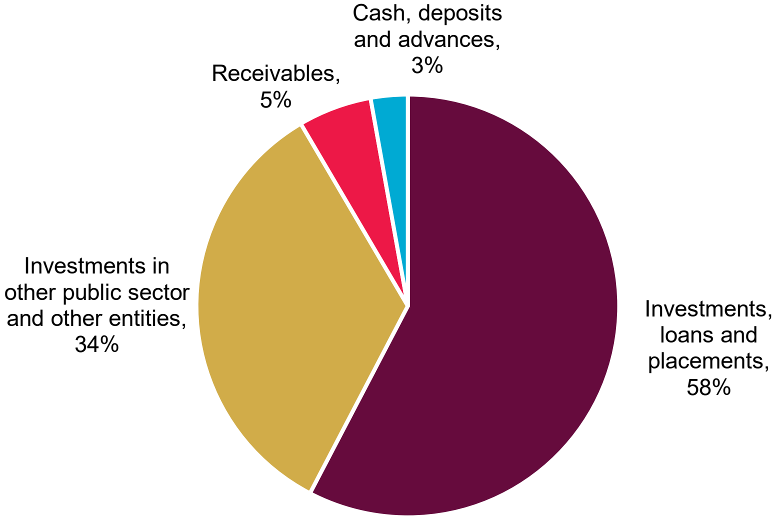
The major categories of financial assets are investments, loans and placements and investments in other public sector entities. Investments, loans and placements incorporate investments held to meet future liabilities, including superannuation and insurance, as well as investments relating to the Queensland Future Fund (QFF) – Debt Retirement Fund (DRF), which have a positive impact on the state's ratings metrics. The General Government Sector holds the equity in 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.

Total financial assets of $79.580 billion are estimated for 2022–23, $3.580 billion higher than published in the 2022–23 Budget. Investments, loans and placements have increased by $2.063 billion since the 2022–23 Budget, predominantly due to setting aside investments to support the Housing Investment Fund and Queensland's energy transformation, partly offset by market value adjustments. The investments set aside for delivering affordable and reliable energy for Queenslanders are budgeted to be largely drawn down and rolled out to GOCs as equity contributions over the forward estimates.

As the value of GOCs increases due to capital investment and revaluations, total financial assets are expected to increase by $4.767 billion to $84.347 billion by 30 June 2024. Further increases in the value of public enterprises and expected returns on investments, mean financial assets will continue to grow over the forward estimates and are projected to reach $94.751 billion by 30 June 2027.

Chart 6.1 shows forecast General Government Sector financial assets by category at 30 June 2024.

Chart 6.1 Forecast General Government Sector financial assets by category, at 30 June 2024



6.2.2 Non-financial assets

General Government Sector non-financial assets are estimated to be $297.064 billion at 30 June 2023, $35.748 billion higher than expected in the 2022–23 Budget.

Non-financial assets in 2023–24 are expected to increase by a further $7.248 billion to be $304.312 billion at 30 June 2024.

Total non-financial assets at 30 June 2024 consist primarily of land and other fixed assets of $296.744 billion, the majority of which are roads, schools, hospitals and other infrastructure. Other non-financial assets of $7.568 billion held by the state include prepayments and deferred income tax assets relating to GOCs.

General Government Sector capital expenditure for 2023–24 is forecast to be $13.674 billion, which comprises $9.347 billion of PNFA and $4.327 billion of capital grant expenses. In addition, acquisitions of non-financial assets under finance leases and similar arrangements are forecast to be $814 million, bringing the General Government Sector capital program for 2023–24 to $14.488 billion.

Over the 4 years to 2026–27, General Government Sector capital expenditure is forecast to be $53.838 billion, which comprises $43.626 billion of PNFA and $10.212 billion of capital grants expenses. Acquisitions of non-financial assets under finance leases and similar arrangements are forecast to be $1.679 billion, bringing the total General Government Sector capital program over the period to $55.517 billion.

Over the forward estimates, the government will invest in:

- transformative transport infrastructure, including additional train rollingstock, Gold Coast Light Rail, M1 highway upgrades and Cross River Rail
- construction of new schools
- critical infrastructure upgrades and construction, including the Woodford Youth Detention Centre, hospitals and social housing
- venue infrastructure for the Brisbane 2032 Olympic and Paralympic Games.

The finance leases and similar arrangements are mainly in relation to Public Private Partnerships (PPPs). PPPs total $2.761 billion over the period 2022–23 to 2026–27 and includes the Tunnel, Stations and Development components of Cross River Rail and construction of Gold Coast Light Rail Stage 3.

Over the 4 years to 2026–27, the capital program for the Public Non-financial Corporations sector is forecast to be $33.727 billion. This is $20.286 billion more than the 2022–23 Budget capital program for this sector, mainly due to the roll-out of the QEJP, which will transform Queensland's energy system over the next 10 to 15 years to deliver clean, reliable and affordable power. Queensland's publicly-owned energy businesses are investing in new wind, solar, storage and transmission infrastructure. This includes up to 7 gigawatts of large-scale, long duration pumped hydro, a $5 billion investment in CopperString 2032 connecting the North West Minerals Province to the national electricity grid, and a strong pipeline of renewable energy and storage projects.

The NFPS capital purchases for the 4 years from 2022–23 to 2025–26 have increased by $19.489 billion since the 2022–23 Budget. Over this same period, the operating cash flows for the NFPS have increased by nearly $13 billion. As a result, the increase in capital purchases is to be largely funded by operating cash flows.

Table 6.2 shows the increase in NFPS capital purchases since the 2022–23 Budget.

Table 6.2 Non-financial Public Sector – Capital Purchases[1]

	2022–23 Budget $ million	2023–24 Budget $ million	Increase $ million
Capital Purchases - 4 years to 2025–26			
General Government Sector	36,288	41,431	5,144
Public Non-financial Corporations Sector	13,164	27,607	14,443
Other adjustments	-	(98)	(98)
Total Non-financial Public Sector	**49,451**	**68,940**	**19,489**
Largely funded by operating cash flows			12,768

Note:

1. Numbers may not add due to rounding.

The current estimate of the capital program over the 4 years to 2026–27 is $88.729 billion. The PNFA by the NFPS over this period are forecast to be $76.905 billion. With capital grant expenses of $9.768 billion, this brings total capital expenditure to $86.673 billion. In addition to this, acquisitions of non-financial assets under finance leases and similar arrangements of $2.055 billion bring the total capital program over the period to $88.729 billion.

6.2.3 Liabilities

General Government Sector

Total General Government Sector liabilities are estimated to be $107.434 billion at 30 June 2023, a decrease of $13.628 billion since 2022–23 Budget, predominantly due to lower-than-expected borrowings.

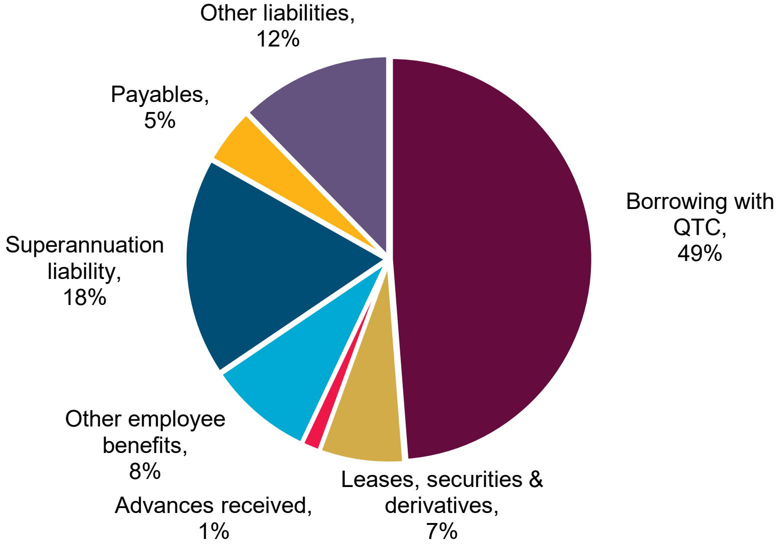
Total liabilities are expected to increase by $10.452 billion in 2023–24 to be $117.886 billion. General Government Sector borrowing with QTC will increase by $10.480 billion in 2023–24, to be $57.494 billion. This is $8.921 billion lower than the 2022–23 Budget estimate for 2023–24 due to capital investment being partially funded by the uplift in revenue. General Government Sector borrowing with QTC is then forecast to grow over the forward estimates as the state invests in job-creating infrastructure projects and commits to delivering the QEJP through equity contributions to the PNFC sector.

By 2025–26, borrowing with QTC is expected to reach $78.104 billion, $2.518 billion lower than expected in the 2022–23 Budget. In 2026–27, total borrowing with QTC will increase by $10.050 billion from 2025–26 to $88.154 billion.

The defined benefit superannuation liability is projected to be $21.205 billion at 30 June 2023, $2.864 billion lower than expected in the 2022–23 Budget. This is predominantly due to a change in actuarial assumptions. By 30 June 2024 the superannuation liability is projected to be $20.827 billion and is expected to continue to decline over the forward estimates as bond rates continue to recover, and members of the defined benefit fund retire. The fund has been closed to new entrants since 2008.

The composition of the General Government Sector's forecast liabilities at 30 June 2024 is illustrated in Chart 6.2.

Chart 6.2 Forecast General Government Sector liabilities by category, as at 30 June 2024



Non-financial Public Sector borrowing

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

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

NFPS borrowing is expected to be $102.561 billion by 30 June 2023, $8.225 billion lower than the 2022–23 Budget. Within the NFPS borrowing, derivative liabilities are estimated to be $2.012 billion higher than expected in the 2022–23 Budget. This increase largely relates to the electricity GOCs, due to movements in the value of hedging contracts entered into prior to an upward shift in market conditions. These liabilities are expected to reverse as pool prices reduce and electricity is delivered.

6.2.4 Net debt

Net debt is the sum of borrowing and advances received, less the sum of cash and deposits, advances paid, and investments, loans and placements.

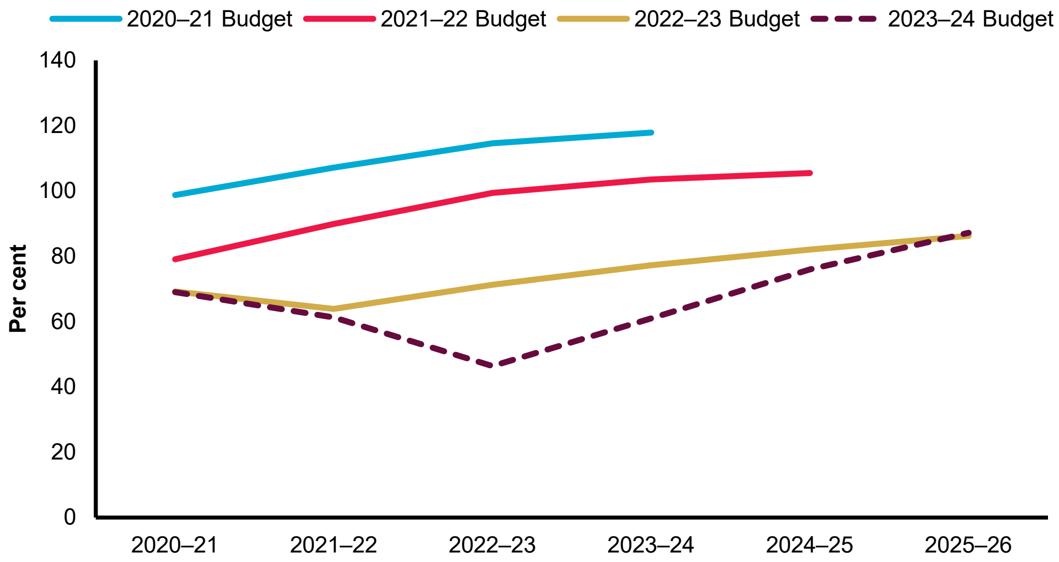
Net debt excludes certain assets and liabilities, such as superannuation and insurance liabilities. However, it still indicates the soundness of the government's fiscal position, as high levels of net debt will require servicing through interest payments and limit flexibility to adjust expenditure.

Net debt for the General Government Sector in 2022–23 is estimated to be $5.852 billion, $13.920 billion lower than expected in the 2022–23 Budget. The lower net debt is predominantly the result of improved operating cash flows in 2022–23, and lower net debt rolling forward from the 2021–22 outcome.

Net debt is lower in each year than estimated in the 2022–23 Budget and by 2025–26 is estimated to be $1.566 billion lower than the 2022–23 Budget.

Chart 6.3 shows the net debt to revenue ratio in 2023–24 for the NFPS is lower than forecast at the time of the 2021–22 Budget.

Chart 6.3 Ratio of non-financial public sector net debt to revenue



6.2.5 Net financial liabilities

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

The net financial liabilities of the General Government Sector for 2022–23 are estimated to be $52.570 billion and are estimated to increase by $9.383 billion by 30 June 2024. This increase is commensurate with the expected increase in borrowings to invest in infrastructure to deliver economic growth and better services for Queenslanders, offset in part by an increase in investments, loans and placements and receivables.

6.2.6 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.

General Government Sector net worth was $249.624 billion at 30 June 2022. It is expected to increase to $269.210 billion in 2022–23.

Net worth has increased in 2022–23 with the improved operating position and increases in the value of non-financial assets and investments in other public sector entities.

The net worth of the NFPS is projected to steadily grow over the forward estimates to be $281.080 billion by 2026–27.

6.3 Cash flows

The cash flow statement provides the cash surplus (deficit) measure, which comprises 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 surplus for 2022–23 is estimated to be $7.717 billion, which is $14.480 billion higher than the deficit forecast at the time of the 2022–23 Budget. This is largely due to an improved operating position driven by the prudent management of revenue improvements from unusually high commodity prices and the economic recovery.

A cash deficit of $7.010 billion is forecast for 2023–24. Net cash flows from operating activities increased over the forward estimates compared to 2023–24, contributing to the government's investment in non-financial assets and alleviating the need to fund these investments completely through borrowing.

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 into the PNFC and Public Financial Corporations sector are the primary driver of net outflows of $11.086 billion over the period from 2023–24 to 2026–27. These equity injections will support the QEJP and GOC infrastructure projects.

Net cash flows from investments in financial assets for liquidity purposes represent net investment in financial assets to, for example, cover liabilities such as superannuation and insurance, as well as deposits and withdrawals to or from the redraw facility with QTC and other specific investments.

Total General Government Sector PNFA of $9.347 billion are budgeted for 2023–24. Over the period from 2023–24 to 2026–27, General Government Sector PNFA are expected to total $43.626 billion as Queensland invests substantially in economic growth, energy transformation, health, education, roads and rail infrastructure to provide better services and a great lifestyle for Queenslanders as it prepares for the Brisbane 2032 Olympic and Paralympic Games.

7 Intergovernmental financial relations

Features

- The federal financial relations framework recognises that coordinated action and clear lines of responsibility for funding and service delivery are crucial for maximising economic and social outcomes and to strategically position the nation for the future.
- One of the Australian Government's functions under this framework is providing funding to states to deliver essential services and infrastructure, representing approximately 47.9 per cent of all Queensland's General Government revenue in 2023–24.
- It is estimated the Australian Government will provide the Queensland Government with $39.300 billion in 2023–24 ($3.175 billion more than in 2022–23), comprising:
  - $18.613 billion[1] in payments for specific purposes ($1.471 billion more than 2022–23)
  - $1.210 billion in other Australian Government grants, including payments direct to Queensland Government agencies for Australian Government own-purpose expenditure ($623 million more than 2022–23)
  - $19.477 billion in payments for general purposes ($1.080 billion more than 2022–23). Further detail is provided in Chapter 4.
- Payments for specific purposes to Queensland in 2023–24 include:
  - $6.509 billion for Quality Schools funding[2]
  - $6.503 billion for National Health Reform funding
  - $4.903 billion for National Partnership payments (including the Infrastructure Investment Program, Disaster Recovery Funding Arrangements (DRFA), National Energy Bill Relief, the South East Queensland City Deal and the Brisbane 2032 Olympic and Paralympic Games)
  - $356 million for National Housing and Homelessness funding
  - $343 million for National Skills and Workforce Development funding.
- National Partnership payments to Queensland will increase in 2023–24 primarily due to: large Disaster Recovery Funding Arrangements (DRFA) payments relating to the 2021–22 floods, funding to support projects in the South East Queensland City Deal and funding to support the delivery of targeted energy bill assistance to eligible households and small businesses in Queensland.
- The Queensland Government provides considerable assistance to local governments, recognising the important services they provide to the community, and will provide a total of $2.866 billion to local governments in 2023–24.

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

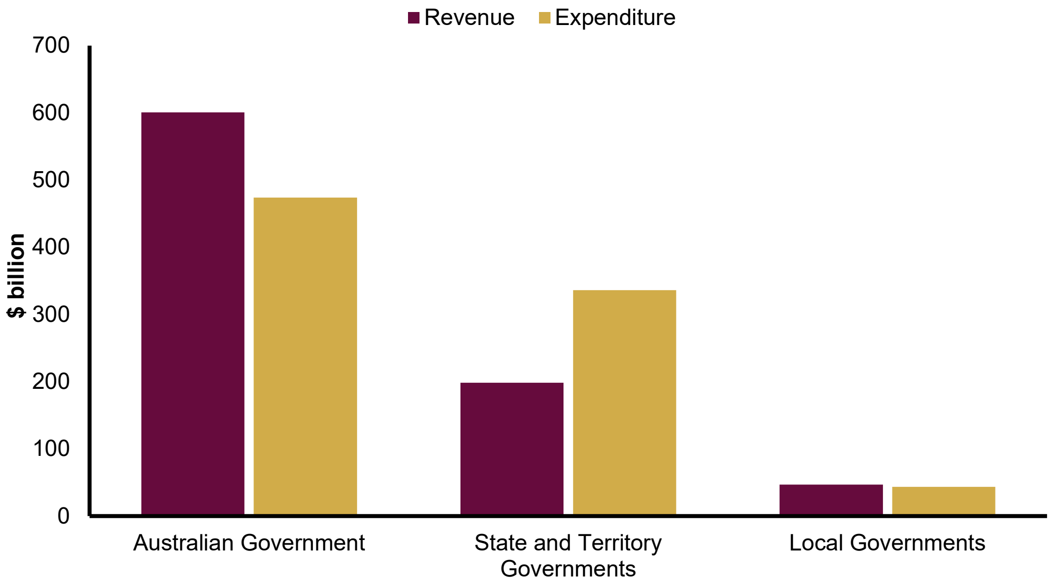
[2] Quality Schools funding includes payments for government schools (exclusive of GST) and non-government schools (inclusive of GST).

7.1 Federal financial arrangements

The Australian Government has greater capacity to raise revenue than is required to meet its service delivery responsibilities. Conversely, states and territories' (states) ability to raise revenue is less than required to meet their service delivery and infrastructure responsibilities. This vertical fiscal imbalance (VFI) is addressed through a system of intergovernmental payments from the Australian Government to the states.

In 2021–22, the Australian Government collected 71 per cent of government revenue nationally, while states collected 23.5 per cent, with local governments responsible for the balance (5.6 per cent)[1]. 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, 2021–22[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.

[1] ABS Government Finance Statistics.

To address VFI, the Australian Government makes 2 types of payments:

- general revenue assistance payments (largely GST revenue) which can be used by states for any purpose ('untied' funding)
- 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 priorities, outputs or projects and to facilitate or incentivise reforms.

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

As part of the national governance arrangements, the Council on Federal Financial Relations (CFFR; Chaired by the Australian Treasurer and comprising all state Treasurers) oversees national agreements and transfers between the Australian Government and states.

States have also formed the Board of Treasurers (the Board) to collaborate on common issues, advance national reform priorities from state and territory perspectives, and promote united agenda setting in federal affairs. The Board is chaired by a state Treasurer on a rotational basis for a calendar year — Queensland is the Chair in 2023.

The Board focuses on key community issues such as health and housing. This includes the implementation of the National Housing Accord which supports outcomes from the Queensland Housing Summit.

The remainder of this chapter focuses on payments for specific purposes. Detail on GST revenue is provided in Chapter 4.

Box 7.1 The four major funding agreements

Queensland Government is committed to working collaboratively with the Australian Government towards sustainable, long-term funding arrangements that give states the flexibility to deliver services and infrastructure that are responsive to the local context.

Queensland Government is currently negotiating multiple agreements with the Australian Government, including the National Health Reform Agreement, National School Reform Agreement, National Skills Agreement and the National Housing and Homelessness Agreement. Combined, these 4 agreements account for $13.710 billion of the $18.613 billion (73.7 per cent) Queensland will receive in 2023–24 in specific purposes funding.

Health

The 2020–25 Addendum to the National Health Reform Agreement (NHRA) — an agreement between the Australian Government and the states to improve health outcomes for all Australians and ensure a sustainable health system — will expire on 30 June 2025.

The mid-term review of the NHRA has commenced and is due to be delivered to Health Ministers by the end of 2023. The review will consider whether the current NHRA funding arrangements are fit-for-purpose given emerging priorities, such as the need for better integrated care and improving interfaces between the health and primary care, mental health, aged care and disability sectors.

The Queensland Government is providing input to the review ahead of renegotiations of the next NHRA, which is due to commence from 1 July 2025. The Queensland Government seeks funding flexibility to deliver best outcomes and will work with the Australian Government to address short-term funding issues and embed long-term fiscal sustainability in the Queensland and national health systems.

Education

The National School Reform Agreement (NSRA) — an agreement between the Australian Government and the states to lift student outcomes across Australian schools — will expire at the end of 2023.

In December 2022, Education Ministers agreed to establish an expert panel to undertake a review to inform the development of the next NSRA, with the final report to be delivered to Education Ministers by 31 October 2023. To provide time for this work, it is proposed the current NSRA will be extended for 12 months to 31 December 2024.

The Queensland Government will work with the Australian Government to ensure a well-resourced school system that enables better learning and wellbeing outcomes for all Queensland school students.

Housing

The National Housing and Homeless Agreement (NHHA) — the key agreement that defines roles in funding and provides housing and homelessness services — is supported by bilateral schedules that expire on 30 June 2023. The Australian and Queensland governments have agreed in-principle to extend the existing NHHA bilateral schedule by 12 months to 30 June 2024 while long-term funding arrangements are being considered.

The Queensland Government seeks to secure long-term future funding arrangements that account for the pressures on the state's housing market, in the context of the recommendations from the Productivity Commission's study report on the NHHA — *In Need of Repair: The National Housing and Homeless Agreement* — the National Housing Accord, and the National Housing and Homelessness Plan.

Skills

The Queensland Government is currently negotiating a long-term National Skills Agreement (NSA) with the Australian Government to replace the existing National Agreement for Skills and Workforce Development following the Productivity Commission's review in 2019.

Through this process, the Queensland Government is focused on ensuring Queenslanders can access high quality and relevant training and skills required to support the ongoing growth and resilience of the Queensland economy and prepare us for the future.

7.2 Australian Government funding to all states and territories

In the *2023–24 Federal Budget Paper No.3: Federal Financial Relations*, the Australian Government estimates it will provide funding of $179.863 billion in 2023–24 across all states, which is $11.039 billion (or 6.5 per cent) more than in 2022–23, comprising:

- $91.536 billion in payments as shares of general revenue assistance (i.e. GST revenue) ($5.078 billion more than in 2022–23)
- $87.393 billion in payments for specific purposes ($6.590 billion more than in 2022–23) including:
  - $28.535 billion in National Health Reform funding
  - $28.288 billion in Quality Schools funding
  - $1.707 billion in National Housing and Homelessness funding
  - $1.670 billion in National Skills and Workforce Development funding
  - $1.110 billion in National Energy Bill Relief
  - $26.083 billion in National Partnership payments (e.g. Infrastructure Investment Program, National Water Grid Fund, DisabilityCare Australia Fund and Preschool Reform Agreement).
- $934.3 million in other payments to states, including:
  - $890.3 million for certain royalty payments to Western Australia
  - $44.0 million for municipal services to the Australian Capital Territory.

Australian Government payments for specific purposes may not fully fund all underlying programs. Some require states to provide matching contributions or other financial or in-kind contributions. This reduces budget flexibility for states, particularly in cases where it is not a Queensland Government priority or where the Australian Government dictates specific conditions related to the funding.

Box 7.2 Australian Government Independent Strategic Review of the Infrastructure Investment Program

The Australian Government commenced an Independent Strategic Review of its Infrastructure Investment Program (the review) in May 2023, to be completed within 90 days. The purpose is to deliver a pipeline of land transport infrastructure that is sustainable, aligned to market capacity and comprised of nationally significant projects.

While the review is conducted, the Australian Government has deferred decisions on future infrastructure investment for projects within the scope of the review.

The Queensland Government will continue to advocate for the state's fair share of the national program through this process. This must reflect Queensland's status as the state with the fastest growing population — the Queensland Government will seek to ensure Queensland will not be worse off and that the Australian Government maintains its current level of funding for the transport corridors that connect the state's dispersed population centres and other priority locations.

The Queensland Government would expect that priority transport infrastructure projects, including those that support delivery of the Brisbane 2032 Olympic and Paralympic Games, will be considered separately from any deferral arrangements as part of the review.

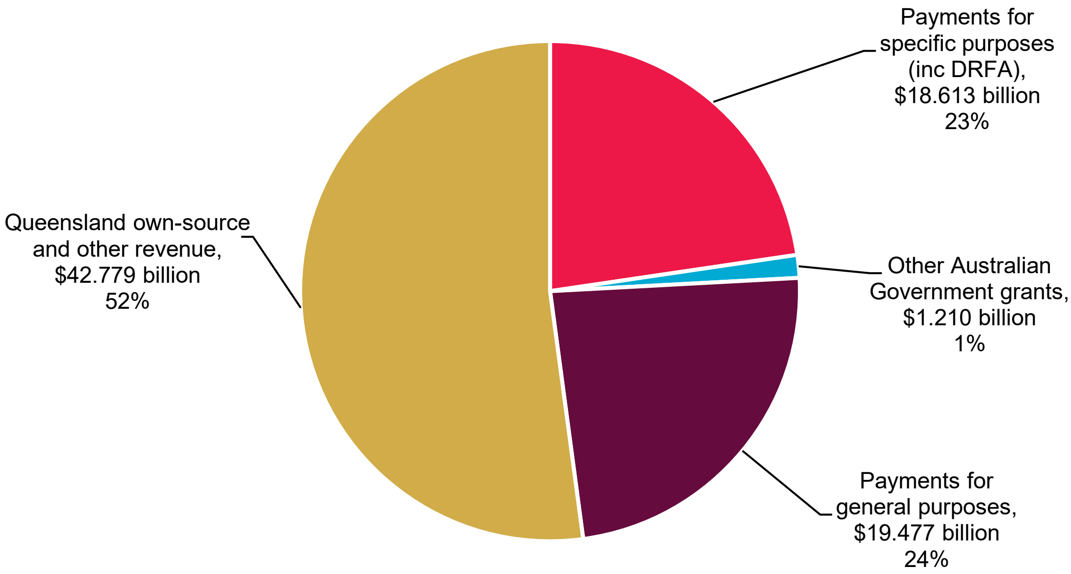
7.3 Australian Government funding to Queensland

It is estimated the Australian Government will provide the Queensland Government with $39.300 billion in 2023–24 ($3.175 billion more than in 2022–23).

Australian Government funding is estimated to account for 47.9 per cent of Queensland's total General Government Sector revenue sources in 2023–24 (shown in Chart 7.2).

The proportion of Queensland's revenue derived from Australian Government funding has grown significantly from 35 per cent at the time of the introduction of the GST in 2000.

Chart 7.2 General Government Sector revenue sources, Queensland 2023–24[1,2]



Notes:

1. Queensland own-source and other revenue figure includes taxation revenue, sales of goods and services, royalties and land rents.
2. Queensland Treasury estimates. Other Australian Government grants include payments direct to Queensland Government agencies for Australian Government own-purpose expenditure.

Sources: 2023–24 Federal Budget Paper No. 3 and Queensland Treasury estimates.

7.4 Payments to Queensland for specific purposes

In 2023–24, Queensland expects to receive $18.613 billion[1] in payments for specific purposes, $1.471 billion (8.6 per cent) more than in 2022–23.

Payments for specific purposes comprise funding for National Health Reform, Quality Schools, National Housing and Homelessness, the Skills and Workforce Development National SPP and NP payments.

[1] Queensland Treasury estimates.

Table 7.1 Estimated payments of Australian Government grants[1]

	2021–22 Actual $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million
Payments for specific purposes			
Skills and Workforce Development funding	321	330	343
National Health Reform funding[2]	6,505	6,232	6,503
Quality Schools funding[3]	5,793	6,219	6,509
National Housing and Homelessness funding	335	343	356
National Partnership payments (incl. DRFA)	3,663	4,019	4,903
Total payments for specific purposes	**16,617**	**17,142**	**18,613**
Other Australian Government grants[4]	1,082	587	1,210
Total payments for specific purposes and other Australian Government grants	**17,699**	**17,729**	**19,824**

Notes:

1. Numbers may not add due to rounding.
2. Includes funding for the COVID-19 public health response of $894.6 million in 2021–22 and $192.7 million in 2022–23. The National Partnership on COVID-19 Response expired on 31 December 2022, with the Australian Government minimum funding guarantee ending in 2021–22.
3. Quality Schools funding includes payments for government schools (exclusive of GST) and non-government schools (inclusive of GST).
4. Includes direct Australian Government payments to Queensland agencies for Australian Government own-purpose expenditure (e.g. financial assistance grants to local government and funding to Hospital and Health Services).

Sources: 2023–24 Federal Budget Paper No. 3 and Queensland Treasury estimates.

In 2023–24, National Health Reform funding, which accounts for 34.9 per cent of the total payments for specific purposes, is estimated to increase by $271 million (4.4 per cent) from 2022–23. The small increase in 2023–24 is due to the unwinding of COVID-19 public health response funding. If the impact of the COVID-19 health response funding is removed, National Health Reform funding is expected to increase by $464 million (7.7 per cent) from 2022–23.

Queensland Government projections of National Health Reform funding differ from the projections contained in the 2023–24 Federal Budget as Australian Government projections represent cash payments made in the financial year (rather than the entitlement amount for the financial year) and include adjustments for services delivered in prior years. Actual National Health Reform payments vary from estimates provided in budget papers as they are based on actual public hospital activity delivered each year.

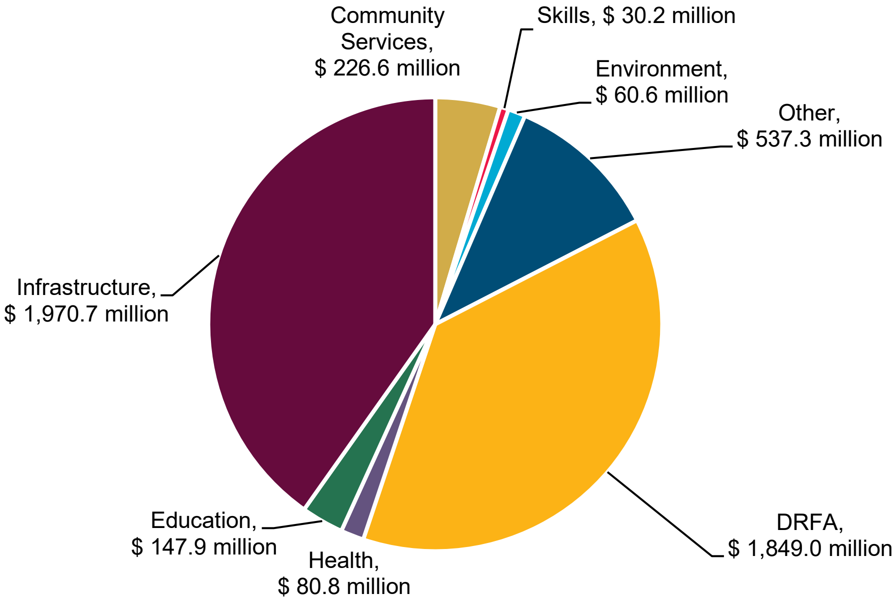
Quality Schools funding, which accounts for 35 per cent of the total payments for specific purposes, is estimated to increase by $290 million (4.7 per cent) to $6.509 billion in 2023–24.

National Housing and Homelessness funding is estimated to increase by $13 million (3.8 per cent) in 2023–24, which comprises indexation and a temporary funding boost to address the homelessness challenges revealed in the 2021 Census.

Skills and Workforce Development funding is expected to increase by $13 million (3.9 per cent) in 2023–24 compared to 2022–23. Given the priority to grow a skilled and highly productive workforce in a tight labour market, the Australian, state and territory governments are working towards finalising a new National Skills Agreement to replace the Skills and Workforce Development SPP.

NP payments (including DRFA) account for 26.3 per cent of the total payments for specific purposes in 2023–24. It is estimated to increase by $885 million (22 per cent) from 2022–23 to 2023–24. A significant proportion of NP payments in 2023–24 is allocated to DRFA, infrastructure and other (refer to Chart 7.3).

Chart 7.3 National Partnership Payments by sector, 2023–24[1]



Note:

1. Excludes Australian Government funding to local government and payments direct to Queensland Government agencies for Australian Government own-purpose expenditure.

Sources: 2023–24 Federal Budget Paper No. 3 and Queensland Treasury estimates.

The increase in NP payments between 2022–23 and 2023–24 is mainly due to:

- large DRFA payments in 2023–24 relating to the 2021–22 flood events
- new Australian Government funding from 2023–24 to support projects in the South East Queensland City Deal
- new Australian Government funding from 2023–24 to support the delivery of targeted energy bill assistance to eligible households and small businesses in Queensland.

Other Australian Government grants include payments direct to Queensland Government agencies for Australian Government own-purpose expenditure.

In 2023–24, Queensland expects to receive $1.210 billion in other Australian Government grants, $623 million (106.2 per cent) more than in 2022–23. The significant increase is mainly due to the Australian Government's bring forward of financial assistance grants to local governments from 2022–23 to 2021–22.

7.4.1 Projections of payments for specific purposes to Queensland

Across the forward estimates, total payments for specific purposes (including DRFA payments) are expected to increase modestly, with average growth of approximately 1.5 per cent between 2023–24 and 2026–27. If the impact of DRFA payments is removed, the average growth of total payments for specific purposes is expected to be 5.1 per cent between 2023–24 and 2026–27.

National Health Reform funding is expected to grow by an average of 6.5 per cent over the forward estimates. Under the National Health Reform Agreement, the Australian Government will fund 45 per cent of efficient growth in hospital activity subject to a national growth cap of 6.5 per cent per annum. Current estimates are based on this methodology.

Growth in Quality Schools funding for Queensland is expected to average 3.4 per cent between 2023–24 and 2026–27 in line with enrolment changes, increased funding per student and legislated Commonwealth funding shares. Queensland is expecting to receive $10.111 billion for state schools and $17.342 billion (including GST) for non-government schools from 2023–24 to 2026–27.

Growth in NP payments (excluding DRFA) for Queensland are expected to average 6.2 per cent between 2023–24 and 2026–27. The increase is mainly due to:

- $1.076 billion over the forward estimates from 2023–24 to support venue infrastructure for the Brisbane 2032 Olympic and Paralympic Games
- $390.7 million over the forward estimates from 2023–24 to support projects in the South East Queensland City Deal, in addition to other related funding arrangements
- $328.5 million estimated from 2023–24 to 2024–25 to support the delivery of targeted energy bill assistance to eligible households and small businesses in Queensland
- $285 million over the forward estimates from 2022–23 to support the establishment of a Queensland Cancer Centre in Brisbane.

DRFA payments of $3.356 billion are estimated from 2022–23 to 2024–25. These mainly reflect Australian Government funding for eligible expenditure under DRFA for the 2021–22 Queensland disaster season, including significant flood events.

7.4.2 Expiring agreements

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

Over time, some NPs have been extended beyond their intended time-limited purpose to continue funding services. NPs were never intended, and are not considered the optimal way, to fund ongoing community service needs.

Expiring NP agreements that support long standing and effective services or programs leave states with limited opportunities to appropriately manage consequences as final funding decisions are made through the Australian Government's budget process.

Early indication from the Australian Government 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 26 agreements[1] expected to expire in 2022–23. At the 2023–24 Federal Budget, the Australian Government allocated funding beyond 2022–23 for 14 expiring agreements, including the following key agreements:

- National School Chaplaincy Program – replaced by the National Student Wellbeing Program with funding from 2022–23 to 2026–27
- Public Dental Services for Adults – funding extended to 2024–25
- Family, Domestic and Sexual Violence Responses – national funding allocated over two years from 2023–24 to extend the agreement, with state allocations yet to be finalised
- Wet Tropics of Queensland and Tasmanian Wilderness World Heritage Areas – funding extended to 2027–28
- World Heritage Management – funding extended to 2027–28
- Lansdown Eco-Industrial Precinct – additional funding committed to 2024–25
- Port of Townsville Channel Capacity Upgrade – funding reprofiled to 2024–25 to reflect updated project completion date
- HomeBuilder – extension announced.

The 2023–24 Federal Budget did not allocate funding beyond 2022–23 for 5 expiring funding agreements:

- Operation of Hummingbird House
- Japanese Encephalitis Virus Mitigation through Mosquito Surveillance and Control
- Recreational Fishing and Camping Facilities Program
- Improve NDIS Participant Transition in Queensland
- Stimulating South Queensland Sheep Production – Building Strategic Alliance in southwest Lamb Supply Chains (Paroo Sheep Meat Value Chain Hub).

A funding extension or renewal was not sought for the remaining 7 expiring agreements due to the short-term nature of the program or completion of the project. These include temporary funding provided for JobTrainer, COVID-19 World and National Heritage projects, implementation of the Australian Fire Danger rating system and the joint national Japanese encephalitis response program (agricultural industries).

[1] Includes any expiring schedules to Federation Funding Agreements.

7.5 State–local government financial relations

The Queensland Government allocates considerable funding in the 2023–24 Queensland Budget to support local governments across the state. This recognises the critical role local governments play in supporting their local communities.

In 2023–24, the Queensland Government will provide a total of $2.866 billion in grants to local governments.

This includes recurrent and capital 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.

A summary of Queensland Government grant programs that have been made exclusively available to local governments are listed in Table 7.2.

Table 7.2 Grant programs exclusively available to local governments

Program name	Description	Total funding (from 2015–16 to 2026–27)
Works for Queensland	Supports local governments in regional areas to undertake job creating maintenance and minor infrastructure works.	$1 billion
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[1]
South East Queensland (SEQ) Community Stimulus Program	Supports South East Queensland local governments to fast-track investment in new infrastructure and community assets that create jobs and deliver economic stimulus to local communities.	$200 million
Unite and Recover Community Stimulus Package	Supports South East Queensland local governments to 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.	$50 million[1]
Transport Infrastructure Development Scheme	Provides targeted investment in regional local government transport infrastructure.	$846 million[2]
Building our Regions	Provides funding for critical infrastructure in regional areas to support economic development, including generating jobs.	$418.3 million
Local Government Grants and Subsidies Program	Provides funding for priority infrastructure projects that will enhance sustainable and liveable communities.	$347.9 million[2]
Coastal Hazard Adaptation Program – QCoast2100	Assists coastal local governments to prepare plans and strategies for addressing the impact of climate change.	$20.2 million
Queensland Water Regional Alliances Program	Assists regional councils to collaborate and improve the efficiency and administration of water infrastructure.	$14.2 million

Notes:

1. These programs are stimulus measures in response to the COVID-19 pandemic and are scheduled to cease following 2023–24.
2. Funding is ongoing. Figure is based on current projections.

In addition to the above grant programs, the Queensland Reconstruction Authority (QRA) administers funding available under the Disaster Recovery Funding Arrangements, which is a joint funding initiative of the Queensland and Australian Governments to provide disaster relief and recovery payments to help communities recover following the effects of natural disasters.

Under these arrangements, the Queensland Government administers significant funding to local governments (more than $1.259 billion expected in 2023–24), including to provide disaster relief and assist with reconstruction of local government infrastructure damaged during natural disasters. The amount of funding administered is dependent on the final number and value of claims submitted.

QRA also administers several resilience programs of the Queensland and Australian Governments to support disaster mitigation projects and build resilience to natural disasters. These programs include the Queensland Resilience and Risk Reduction Fund, the North Queensland Natural Disasters Mitigation Program, and the National Flood Mitigation Infrastructure Program.

The Queensland Government also understands there are added challenges and disadvantages faced by Indigenous councils to ensure their communities have access to essential services and critical infrastructure, including low populations, remoteness and dispersion. To help address these challenges, the Queensland Government has allocated substantial operating funding to specifically support Indigenous councils and their communities.

The Indigenous Council Funding Program will replace the State Government Financial Aid, the Indigenous Economic Development Grant and the Revenue Replacement Program. Funding from the replaced programs will be combined into a single grant which will continue to support Indigenous Councils to service their communities and deliver critical infrastructure. This will simplify and improve the way State funding is provided to Indigenous Councils.

The 2023–24 Budget commits $25.8 million in 2023–24 in addition to existing funding for the Indigenous Council Funding Program.

A summary of grant programs that have been made 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 2026–27)
Indigenous Council Funding Program[1]	Assists Indigenous councils to address financial sustainability and capacity issues.	$208 million
Indigenous Councils Critical Infrastructure Program	Contributes to the cost of water, wastewater and solid waste infrastructure in Indigenous communities.	$120 million
Indigenous Economic Development Grant[2]	Contributes funding towards service positions to support permanent jobs that deliver local government services.	$11.5 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
Revenue Replacement Program[2]	Provides funding to assist Indigenous councils that have divested or surrendered profitable liquor licenses.	$28.2 million
State Government Financial Aid[2]	A financial contribution (in lieu of rates) to meet the costs incurred by Indigenous councils in the provision of local government services.	$265.7 million
Indigenous Local Government Sustainability Program (2016–18)	Assisted Indigenous councils to increase their capacity, capability and sustainability.	$7.7 million

Notes:

1. This is a new program, replacing the Indigenous Economic Development Grant, Revenue Replacement Program and State Government Financial Aid (total funding reflects 2023–24 to 2026–27).
2. This program will cease from 1 July 2023 and funding will be allocated through the new Indigenous Council Funding Program (total funding reflects 2015–16 to 2022–23).

8 Public Non-financial Corporations Sector

Features

- Entities in the Public Non-financial Corporations (PNFC) Sector provide essential services such as electricity supply and distribution, bulk water supply, rail, and port services.
- The Queensland Government has a strong commitment to maintaining public ownership of its assets, and expects these businesses to operate commercially and efficiently, and to work towards continually improving services to Queenslanders.
- The PNFC Sector is expected to achieve earnings before interest and tax (EBIT) of $3.829 billion in 2023–24, a $1.482 billion increase from 2022–23. Sector-wide earnings over the forward estimates reflect the improved performance of the electricity sector.
- The 2023–24 Budget includes a landmark capital investment of around $19 billion over the forward estimates to deliver on the *Queensland Energy and Jobs Plan* (QEJP). The government's publicly-owned energy businesses are leading Queensland's energy transformation, investing in new wind, solar, storage and transmission, supported by the $4.5 billion Queensland Renewable Energy and Hydrogen Jobs Fund.
- As a cornerstone of the QEJP, the newly established Queensland Hydro will deliver up to 7 gigawatts (GW) of large-scale, long-duration pumped hydro. The government is also investing $5 billion in CopperString 2032, a 1,100-kilometre transmission line from Townsville to Mount Isa, and delivering a strong pipeline of renewable energy and storage projects.
- Increased borrowings over the forward estimates primarily reflect capital requirements to deliver the QEJP and investments to support water security. Key projects in the water sector include the Fitzroy to Gladstone Pipeline, Rookwood Weir, Mount Crosby Flood Resilience Program, Toowoomba to Warwick Pipeline, and South West Pipeline.
- Major transport sector projects continuing in 2023–24 include the Channel Capacity Upgrade at the Port of Townsville, expansion of the Cairns Marine Precinct, and a range of rail infrastructure projects to support the transformation of the Citytrain network.
- In 2022–23, PNFC Sector dividends are expected to be $511 million, or $304 million lower than forecast at the 2022–23 Budget, largely due to movements in the value of electricity hedging contracts. Returns from the PNFC Sector contribute to consolidated revenue and are used to pay for various government services, including investment into critical infrastructure delivered by PNFC Sector entities.
- The 2023–24 Budget delivers $1.483 billion in 2023–24 for additional electricity bill support to households and small businesses facing cost-of-living pressures. As part of this package, all Queensland households will automatically receive a $550 Cost of Living Rebate on their electricity bill in 2023–24, while around 600,000 vulnerable households will benefit from a higher $700 Cost of Living Rebate.

- Including the $550 Cost of Living Rebate in 2023–24, the government will have provided all Queensland households with a total of $1,125 in electricity rebates since 2018.
- These payments complement the government's longstanding commitment under the Uniform Tariff Policy that all Queenslanders pay a similar price for electricity no matter where they live. To support the Uniform Tariff Policy, the government provides an annual Community Service Obligation payment, costing $537 million in 2023–24.
- The new progressive coal royalty rates announced in the 2022–23 Budget ensure that Queenslanders receive a fair return on the state's valuable natural resources. The government is funding productivity-enhancing investments across regional Queensland, with $10 billion for PNFC Sector infrastructure projects supported by coal royalties in the energy, water, and ports sectors.

8.1 Context

Entities comprising the PNFC Sector provide vital services such as electricity supply and distribution, water supply, rail, and port services.

Queensland government owned corporations (GOCs), declared by regulation under the *Government Owned Corporations Act 1993* (GOC Act), comprise a large share of the PNFC Sector. The sector also comprises commercialised statutory entities, including Queensland Rail, Queensland Bulk Water Supply Authority (trading as Seqwater), local water boards, and other public corporations (such as Queensland Hydro and Stadiums Queensland).

GOCs are accountable for their financial performance and must operate commercially and efficiently. These requirements are legislated under the GOC Act with similar provisions made in the enabling legislation of Queensland Rail and Seqwater. Entities incur costs and bear commercial risks in the delivery of their services or products, and target a commercial rate of return from the sale of these services or products to sustain ongoing investment and performance.

Returns from the PNFC Sector contribute to consolidated revenue and are used to pay for various government services, including investment into critical infrastructure delivered by PNFC Sector entities.

Community Service Obligation (CSO) payments are used to subsidise particular services so they can be offered to the community at prices lower than would otherwise be possible 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 policy ensures that electricity prices for most customers in regional Queensland are much lower than would otherwise be the case.

The commercial nature of PNFC Sector entities ensures debt is self-supporting and net worth continues to grow over the forward estimates. The Queensland Government has a strong ongoing commitment to maintain public ownership of the entities in the PNFC Sector. Public ownership of electricity, port, rail, and water infrastructure provides the Queensland Government with opportunities to support strategic investment in a growing economy and achieve better outcomes for all Queenslanders.

Box 8.1 Reinvesting in the regions

The new progressive coal royalty rates announced in the 2022–23 Budget ensure that Queenslanders receive a fair return on this valuable natural resource. The uplift in royalties has allowed the Queensland Government to invest more than $16 billion towards economic and social infrastructure and essential services to meet the needs of Queenslanders across all regions of the state. Box 4.7 provides further detail.

In the 2022–23 Budget Update, the government committed to utilise the uplift in royalty revenue to fund $4 billion in productivity-enhancing investments across regional Queensland. This will support investments across energy, water, and ports sectors for projects which will underpin Queensland's future economic prosperity.

In this Budget, the government is providing an additional $6 billion in funding for the Borumba Pumped Hydro Energy Storage project. This brings the Government's total commitment to $10 billion for relevant regional PNFC sector infrastructure projects funded by the general government sector equity injections supported by coal royalties, and includes:

- $1.06 billion towards CopperString 2032, which will support the construction of the 1,100-kilometre transmission line from Townsville to Mount Isa, connecting Queensland's North West Minerals Province to the national electricity grid
- $7 billion towards state-owned, large-scale, long-duration pumped hydro, including $6 billion for the Borumba project over the construction period and $1 billion for the Pioneer-Burdekin project
- $550 million towards the Fitzroy to Gladstone Pipeline, enabling long term water security in the region
- $500 million for CleanCo to support a 2.3 GW portfolio of wind and solar projects in Central Queensland
- $440 million towards Sunwater's Burdekin Falls Dam Improvement and Raising Project, improving and raising the dam by two metres to further support water security, noting this is on top of the existing $100 million commitment towards the project
- $300 million for CS Energy to pursue investments in new wind projects and energy firming options to support future industrial decarbonisation in Central Queensland
- $100 million for Gladstone Port Corporation's Northern Land Expansion project, subject to approvals, supporting the release of additional land at Gladstone Port and the development of renewable energy and other industries

- $50 million for the replacement of North Queensland Bulk Ports' Bowen Wharf, with the plans, designs, and approvals subject to further consultation with stakeholders.

Table 8.1 Key financial aggregates[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Revenue	15,951	13,589	15,835	15,746	15,578	16,539	17,816
Expenses	14,888	12,389	14,887	15,116	14,951	15,541	16,499
Net Operating Balance	**1,062**	**1,199**	**948**	**630**	**626**	**998**	**1,317**
PNFA[2]	3,134	3,334	4,489	5,849	8,735	8,534	10,233
Assets	91,338	74,953	80,459	82,492	88,371	94,694	102,088
Borrowings	59,495	44,334	47,875	45,166	46,120	48,664	52,207

Notes:
1. Numbers may not add due to rounding.
2. PNFA: Purchases of non-financial assets.

8.1.1 Electricity networks

The government owns two electricity network businesses, Powerlink Queensland and Energy Queensland Limited, which are responsible for transporting safe, reliable electricity to consumers across the state.

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 5-yearly basis, based on the businesses' proposals and its view of the reasonable benchmark efficient costs for a network business.

Powerlink

Powerlink owns, develops, operates, and maintains the electricity transmission network in Queensland. Its network spans approximately 1,700km from north of Cairns to the New South Wales border and comprises 15,345km of transmission lines and 147 substations.

Powerlink's role in the electricity supply chain is to transmit high voltage electricity 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.

Powerlink took carriage of the CopperString 2032 project in March this year, with early works expected to commence later in 2023, and construction in 2024. Under the QEJP, Powerlink is also progressing investments to deliver the Queensland SuperGrid and renewable energy zones.

Energy Queensland Limited

Energy Queensland Limited (EQL) owns and operates the low-voltage distribution network that transmits electricity from Powerlink's transmission network to households and businesses across Queensland. EQL has several operating subsidiary businesses, including Ergon Energy Network, Ergon Energy Retail, Energex, and Yurika.

In regional Queensland, Ergon Energy Network and Ergon Energy Retail provide distribution network and customer retail services, respectively, while in South East Queensland, Energex provides distribution network services to customers.

Yurika provides 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 commercial and industrial customers.

Box 8.2 CopperString 2032

The Queensland Government is investing $5 billion in CopperString 2032, a 1,100-kilometre transmission line from Townsville to Mount Isa that will connect Queensland's North West Minerals Province to the national electricity grid.

This project will unlock one of Australia's largest renewable energy zones and potentially more than $500 billion in new critical minerals in North Queensland. To be delivered by Powerlink, CopperString 2032 will connect vast renewable wind and solar resources with critical minerals mining and processing that can be used to make batteries and renewables.

CopperString 2032 is one of the most significant investments in economic infrastructure ever seen in North Queensland and has the potential to support around 800 direct jobs over its 6-year construction period (to 2029), and thousands more in critical minerals mining and renewable energy industries. Early works are expected to start later in 2023 and construction in 2024.

In the 2023–24 Budget, $1.06 billion has been allocated towards CopperString 2032, made available from the progressive coal royalties introduced at the 2022–23 Budget.

This project is being delivered as part of the QEJP, a pathway to transition Queensland to clean, reliable and affordable power.

8.1.2 Electricity generation

Queensland has three electricity generation GOCs – CleanCo, CS Energy and Stanwell. To date, these GOCs have committed to own or offtake over 2.4 GW of new renewable generation, 850 megawatts (MW) of new large-scale batteries, and are progressing a range of additional investment opportunities.

Public ownership of generation assets positions Queensland to transform the state's energy system and deliver the government's decarbonisation objectives — 50 per cent renewables by 2030, 70 per cent by 2032, and 80 per cent by 2035 — and reach net zero emissions by 2050.

CleanCo

CleanCo owns and operates a portfolio of low and no emissions generation assets. In addition to its foundation portfolio, CleanCo is on track to meet its commitment to deliver at least 1,400 MW of new renewable energy by 2025. This is being achieved through power agreements with wind and solar farms in the Darling Downs, Western Downs, and Far North Queensland, and to build, own and operate Swanbank Battery.

CleanCo is continuing to grow its renewable project pipeline, working with partners to develop a publicly owned and operated renewable project portfolio of up to 2.3 GW in Central Queensland. CleanCo is also supporting the sustainable energy goals of major commercial customers, including BHP and Coles, by entering long-term agreements to supply firmed renewable energy.

CS Energy

CS Energy is a major supplier of electricity across Queensland, with an energy portfolio of around 3,500 MW, including the wholly-owned Callide B and Kogan Creek Power Stations and a 50 per cent 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 electricity requirements of the Boyne Island Aluminium Smelter.

In line with the QEJP, CS Energy is diversifying its portfolio as it invests in renewable generation, storage and gas-peaking capacity, and hydrogen development. CS Energy's investments in projects such as the 200 MW Greenbank Battery, Brigalow hydrogen-ready gas peaking plant at Kogan Creek, wind farms in Central Queensland, and the Kogan Renewable Hydrogen Project near Chinchilla, are all being supported by the Queensland Renewable Energy and Hydrogen Jobs Fund.

CS Energy also provides retail services to large commercial and industrial customers throughout Queensland, and has a 50/50 joint venture with Alinta Energy to supply electricity to residential and small business customers in South East Queensland.

Stanwell

Stanwell is a major supplier of electricity across Queensland, with an energy portfolio of around 3,300 MW from its three coal-fired power stations in Queensland. Stanwell also sells electricity directly to large commercial and industrial customers in Queensland and interstate.

Stanwell is advancing a pipeline of new energy projects across Queensland, focusing on renewable generation, storage, and hydrogen. Stanwell has entered energy offtake agreements with several renewable projects, including the Mount Hopeful and Clarke Creek Wind Farms in Central Queensland, and the Blue Grass Solar Farm and MacIntyre Wind Farms in Southern Queensland.

In 2023–24, Stanwell will be supported by the Queensland Renewable Energy and Hydrogen Jobs Fund to continue the development of the Wambo Wind Farm in partnership with global renewables developer, Cubico Sustainable Investments, progress the Tarong West Wind Farm, and also undertake a Front End Engineering Design Study of the Central Queensland Hydrogen Project near Gladstone, with a consortium of partners.

Box 8.3 Queensland Energy and Jobs Plan

The *Queensland Energy and Jobs Plan* outlines the state's pathway to transform the energy system over the next 10 to 15 years to deliver clean, reliable, and affordable power, creating a platform for strong economic growth and continued investment.

The QEJP charts an ambitious infrastructure investment pathway to 2035, including two large-scale pumped hydros in regional Queensland, 22 GW of new renewable energy, and major new transmission lines across the state which will form Queensland's SuperGrid.

In total, the 2023–24 Budget includes a landmark capital investment of around $19 billion across the forward estimates to support the *Queensland Energy and Jobs Plan.*

The government's publicly-owned energy businesses are leading Queensland's energy transformation, investing in new wind, solar, storage and transmission, supported by the $4.5 billion Queensland Renewable Energy and Hydrogen Jobs Fund. To date, $2.7 billion has been allocated from the Fund, including:

- $192.5 million for Stanwell's 252 MW Wambo Wind Farm near Dalby, $776.1 million for Stanwell's 500 MW Tarong West Wind Farm near Kingaroy, and $563.5 million for CS Energy's wind investments in Central Queensland
- $330 million for CleanCo's Swanbank Battery and $218 million for CS Energy's Greenbank Battery, and a $500 million allocation to large-scale and community batteries under Action 1.3 of the *Queensland Energy and Jobs Plan*
- $85.5 million for CS Energy's Brigalow Hydrogen-ready Gas Peaking Plant
- $28.9 million for CS Energy's Kogan Renewable Hydrogen Project and $15 million for Stanwell's Central Queensland Hydrogen Project Front End Engineering Design Study.

Through coal royalties, the government has also allocated $300 million to CS Energy for energy projects supporting decarbonisation in Central Queensland, as well as $500 million to CleanCo to support 2.3 GW of renewables projects in Central Queensland.

The government is also delivering the critical deep storage capacity essential to Queensland's future energy system. This includes the 2 GW Borumba Pumped Hydro Energy Storage project which will be a cornerstone of Queensland's energy system. The 2023–24 Budget approves $6 billion in equity funding over the project's construction phase, enabling Queensland Hydro to deliver this world class project while it also continues to lead the detailed feasibility study into the Pioneer-Burdekin Pumped Hydro Energy Storage project.

As outlined by the QEJP, Queensland's existing publicly owned thermal generation assets will be transformed into clean energy hubs to support critical system reliability and stability. This work has already begun at CS Energy's Kogan Creek Clean Energy Hub, comprising the Chinchilla Battery, Kogan Renewable Hydrogen Demonstration Plant, and future Brigalow Hydrogen-ready Gas Peaking Power Plant.

Throughout the transformation, the government is committed to maintaining public ownership of energy assets and supporting impacted communities and workers through a range of initiatives, including a $150 million Job Security Guarantee Fund to support affected energy workers through the transformation.

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).

In 2023–24, Queensland Rail will continue to work with external partners and support delivery of significant new rail infrastructure to transform the Citytrain network, including the Cross River Rail project, new stations and accessibility upgrades, modern signalling equipment and additional train stabling capacity. These investments will increase rail service delivery for the state's growing population and support local manufacturing supply chains, and jobs in regional areas.

8.1.4 Ports

Queensland has a large network of ports along its coastline that are owned and run by GOCs. These businesses, Gladstone Ports Corporation (GPC), North Queensland Bulk Ports Corporation (NQBP), Port of Townsville Limited (POTL), and Far North Queensland Ports Corporation Limited (trading as Ports North), own and operate a range of assets from small facilities serving local communities to large, world class multi-user and multi-cargo ports, which have public and privately owned import and export facilities.

Queensland's ports play an essential role in the state's supply chain networks by planning and delivering strategic projects which facilitate trade activity. Their ongoing efficient and responsible operation is critical to economic growth, job creation and sustainable development across the state.

Major port projects continuing throughout 2023–24 include:

- the continuation of the $251 million Channel Capacity Upgrade at the Port of Townsville to improve freight export and import opportunities for North Queensland
- the completion of the $21 million Multi-Use Conveyor at the Port of Bundaberg, in partnership with the Australian Government and Sugar Terminals Limited
- expansion of the Cairns Marine Precinct (CMP) with delivery of 2 new wharves as part of a $32 million early works package. Further to this investment, the Queensland Government has committed $180 million, subject to approvals, to deliver an expansion of the CMP with the development of a Common User Facility. The proposed facility will include a 5,000 tonne shiplift, 3 hardstand areas, 2 blast and paint sheds and wet berth capacity to cater for vessels up to 120 metres in length. The Queensland Government is working with the Australian Government, which has committed a co-contribution of $180 million, bringing total funding to $360 million to progress the project
- working with various proponents in Gladstone, Townsville, and other major ports to identify and progress potential hydrogen-related project opportunities.

8.1.5 Water

The two largest entities in the Queensland bulk water supply industry are the Queensland Bulk Water Supply Authority (trading as Seqwater) and Sunwater Limited (Sunwater). Other water entities in the PNFC Sector include the Gladstone Area Water Board and Mount Isa Water Board.

Seqwater is primarily responsible for supplying safe, secure and reliable bulk drinking water for over 3 million 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 also provides essential flood mitigation services, manages seven water supply schemes which provide irrigation services and provides a range of community recreation facilities.

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.

During 2023–24, the Queensland Government is delivering additional water supply, fortifying the flood resilience of water infrastructure and ensuring the ongoing safety and reliability of dams through state-owned water businesses. Major projects include:

- construction of the $983 million Fitzroy to Gladstone Pipeline, enabling long term water security in the Central Queensland region
- continued construction of the $568.9 million Rookwood Weir

- delivery of the $273.1 million Toowoomba to Warwick Pipeline, part of a more than $300 million investment for water security in the Toowoomba and Southern Downs regions
- completion of the $95.2 million South West Pipeline, connecting Beaudesert to the South East Queensland Water Grid.

Dam safety is a major focus for the water sector. Sunwater, Seqwater and the Gladstone Area Water Board have ongoing dam improvement programs to ensure the safety and reliability of dams, and compliance with dam safety guidelines into the future. In 2023–24, $155.8 million will be invested for planning and early works on improvements to Paradise, Burdekin Falls, Somerset, Wivenhoe, North Pine, Lake Macdonald, and Awoonga dams.

8.1.6 Other

Queensland Hydro

In 2022, the government established the new publicly-owned entity, Queensland Hydro, to develop, deliver, own, and operate the large-scale, long-duration pumped hydro storage assets that will be the cornerstone of Queensland's future energy system. These assets will be critical to Queensland's energy transformation, supporting renewable energy and system security by absorbing excess renewable generation and dispatching it in peak demand periods.

In 2022–23, the government approved proceeding with the $14.2 billion, 2 GW, 24-hour Borumba Pumped Hydro Energy Storage, to be located southwest of Gympie. During 2023–24, Queensland Hydro will progress State and Australian Government approvals, exploratory works, and procurement for main works.

Queensland Hydro will also continue the feasibility study for the Pioneer-Burdekin Pumped Hydro Energy Storage project, to be located west of Mackay. Pending final investment decision of this project, staged construction is expected to commence as early as 2026–27.

8.2 Finances and performance

8.2.1 Earnings before interest and tax

Estimated total PNFC Sector EBIT of $2.347 billion for 2022–23 is $1.172 billion lower than forecast at the 2022–23 Budget. Across the forward estimates, PNFC Sector EBIT is expected to increase to $4.101 billion by 2026–27.

The electricity network sector EBIT is estimated at $873 million in 2022–23, lower than forecast at the 2022–23 Budget, predominantly due to movements in the value of hedging contracts held by EQL's retail business. Sector earnings are expected to recover year-on-year from 2023–24, to $1.806 billion by 2026–27, consistent with expected regulated revenue movements.

For the electricity generation sector, a lower EBIT of $604 million in 2022–23 is forecast to recover strongly in 2023–24 (to $1.687 billion), with movements in the value of hedging contracts continuing to drive earnings volatility in this sector. Generators enter appropriate hedging contracts to provide earnings certainty, including on the Australian Securities Exchange, with the earnings impacts of some contracts extending over multiple years. These temporary variations are expected to moderate over the forward estimates.

Rail sector EBIT in 2022–23 is slightly lower than that estimated at the 2022–23 Budget. This primarily reflects escalation of operational and capital costs during 2022–23, including in support of, and preparations for, Cross River Rail and associated works.

Port sector EBIT in 2022–23 largely aligns with the 2022–23 Budget and is forecast to trend upwards over the forward estimates, reflecting the various long-term revenue contracts with customers and cost recoveries from the completion of revenue generating capital expansions.

Water sector EBIT in 2022–23 of $415 million is lower than estimated at the 2022–23 Budget due to lower water sales, but expected to trend around $500 million over the forward estimates.

Stadiums Queensland, a major contributor to the ‘Other’ PNFC sector, operates and maintains the state’s portfolio of major sporting stadiums and high performance and community venues. Over the forward estimates, earnings will be offset by expenses as venues are updated and maintained to a contemporary standard in the lead up to the Brisbane 2032 Olympic and Paralympic Games.

Table 8.2 Earnings before interest and tax[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Electricity Networks	1,660	1,312	873	1,185	1,291	1,547	1,806
Electricity Generation	203	1,067	604	1,687	1,470	1,156	1,236
Rail	295	312	258	315	374	402	364
Ports	183	219	238	248	277	296	308
Water	479	594	415	548	493	470	530
Other[2]	(47)	15	(41)	(154)	(76)	(77)	(143)
Total PNFC sector	**2,773**	**3,519**	**2,347**	**3,829**	**3,828**	**3,793**	**4,101**

Notes:

1. Numbers may not add due to rounding.
2. Includes other public corporations.

8.2.2 Borrowings

Entities in the PNFC Sector use debt financing as a source of funds for asset renewal and capital investments, and to maintain an optimal capital structure. Borrowings also include derivative liabilities associated with hedging activities undertaken by GOCs.

PNFC Sector entities are required to take a prudent and sound approach to debt management, including the establishment of borrowing arrangements which are appropriate to the business risk of the organisation. These arrangements consider the proposed capital expenditure program, together with the implications of borrowings on key financial and performance related indicators.

PNFC Sector entity asset values are a relevant factor in considering PNFC Sector borrowings, with PNFC Sector entities borrowing around 55 per cent of their asset values in 2023–24 (on average). Over the forward estimates, for the PNFC Sector as a whole, increases in borrowings are more than offset by increases in the value of total assets over time, with the ratio of borrowings to total assets forecast to fall to 51 per cent by 2026–27.

Total PNFC Sector borrowing for 2022–23 is estimated at $47.875 billion, or $3.541 billion higher than forecast at the 2022–23 Budget, largely due to the accounting treatment of short-term financial contracts held by energy GOCs.

Borrowings in the water sector are largely attributable to Seqwater, which currently holds $8.908 billion of debt. This debt balance is 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 forecast to be repaid by 2027–28.

Ports and rail sector borrowings have contributed to the funding of major capital works in these sectors and are forecast to sit at around $1 billion and $5 billion, respectively, over the forward estimates.

Queensland Hydro, a major contributor to the PNFC 'Other' sector, drives an increase in borrowings over the forward estimates as early works and construction activities advance on pumped hydro energy storage projects.

Table 8.3 Borrowings and total assets[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Electricity Networks	23,967	24,361	25,118	26,498	27,758	29,942	32,780
Electricity Generation	20,339	4,817	7,185	3,225	2,633	2,555	1,128
Rail	4,121	4,401	4,637	4,652	4,868	4,814	4,807
Ports	1,083	1,064	1,071	1,049	1,026	970	945
Water	9,827	9,543	9,700	9,472	8,989	8,453	7,953
Other[2]	158	147	164	271	846	1,930	4,594
Total PNFC sector	**59,495**	**44,334**	**47,875**	**45,166**	**46,120**	**48,664**	**52,207**
Total Assets	91,338	74,953	80,459	82,492	88,371	94,694	102,088

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 through dividends and tax equivalent payments.

Dividends

Dividends generated by the PNFC Sector form part of consolidated revenue used to fund a range of government services, including investment into critical infrastructure delivered by PNFC Sector entities. The GOC Act provides for the payment of dividends, with the dividend policies of GOCs determined by government. Each year, GOC boards make a dividend recommendation for government consideration.

While total PNFC Sector dividends for 2022–23 are expected to be $511 million, or $304 million lower than forecast at the 2022–23 Budget, the PNFC Sector is expected to deliver cumulative dividends of $4.113 billion over the forward estimates, with annual dividends increasing to $1.122 billion by 2026–27.

Electricity network dividends are expected to be $93 million in 2023–24, rising steadily over the forward estimates, in line with earnings growth.

The electricity generation sector is expected to provide reliable dividends over the forward estimates, at around $500 million per year commencing in 2023–24. This reflects steady earnings across this sector, as investment in new renewable generation grows and wholesale prices stabilise. Dividends in 2022–23 have been impacted by lower earnings and unfavourable fair value adjustments on hedge contracts.

Ports sector dividends are forecast to remain steady over the forward estimates, in line with estimated earnings and expected stable trade throughput across various cargo categories.

In the water sector, dividends for 2022–23 are expected to be above the 2022–23 Budget due to Gladstone Area Water Board. Dividends are expected to be modest over the forward estimates due to the repayment of debt by Seqwater and dam improvement costs, with the Mount Isa and Gladstone Area Water Boards forecasting dividends.

Table 8.4 Dividends[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Electricity Networks	..	233	151	93	113	189	312
Electricity Generation	..	284	..	463	609	511	503
Rail	194	168	161	146	207	189	126
Ports	..	118	150	138	154	165	169
Water	15	12	49	4	4	7	14
Total PNFC sector	**209**	**815**	**511**	**844**	**1,086**	**1,061**	**1,122**

Note:

1. Numbers may not add due to rounding.

Tax equivalent payments

Tax equivalent payments (TEPs) are paid by 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 government-owned businesses and their private sector counterparts.

In line with the trend in earnings growth, TEPs are $159 million lower than forecast at the 2022–23 Budget but expected to increase to $596 million in 2026–27.

Table 8.5 Tax equivalent payments[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Electricity Networks	322	156	77	64	75	114	141
Electricity Generation	107	219	142	261	332	285	312
Rail	71	81	64	102	114	96	55
Ports	55	61	76	68	77	81	80
Water	(24)	6	6	2	2	4	7
Other[2]	1	..	1	..	..	1	1
Total PNFC sector	**532**	**524**	**365**	**498**	**601**	**580**	**596**

Notes:
1. Numbers may not add due to rounding.
2. Includes other public corporations.

Competitive neutrality fees

Competitive neutrality policy requires that public sector businesses, including GOCs, should not have a competitive advantage (or disadvantage) over the private sector solely due to their government ownership. An application of this policy is the competitive neutrality fee (CNF).

The CNF is applied to a GOC's cost of debt to neutralise any cost of funds advantage by way of government ownership on the basis of GOCs' ability to borrow funds at a lower rate than private sector competitors, given the government's credit strength.

In general, changes in CNF payments reflect movements in borrowing amounts, interest rate spreads and the entity's stand-alone credit rating.

CNF payments by the PNFC Sector are expected to be remain at around $215 million across the forward estimates, with some increases to 2025–26 and 2026–27 in line with increased borrowing.

Table 8.6 Competitive neutrality fee payments[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Electricity Networks	152	165	160	148	141	136	124
Electricity Generation	14	12	22	22	21	28	32
Rail	29	28	21	25	29	39	49
Ports	9	8	8	8	8	9	9
Water	4	5	5	6	6	6	6
Total PNFC sector	**208**	**218**	**216**	**209**	**205**	**217**	**220**

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, the government can direct GOCs to perform activities that are not in their commercial interest (e.g., discounting rural irrigation water prices to stimulate the regional economy). In these situations, the government can compensate the GOC through the payment of a CSO for the cost of delivering the uncommercial part of the good or service.

In line with the Queensland Government's Uniform Tariff Policy, a CSO payment is provided to EQL to compensate its retail subsidiary, Ergon Energy, for the increased costs of operating in regional Queensland. This subsidy is provided to ensure Queenslanders, regardless of their geographic location, pay a similar price for their electricity. The one-off increase in the budgeted CSO cost for electricity networks in 2022–23 is due to regulated revenue under-recoveries in previous years being recovered in 2022–23.

Seqwater and Sunwater also own and operate water supply schemes, where irrigation prices for some schemes are set below the level necessary to recover the costs of supply. The government provides a CSO to offset the reduced revenue. Over the forward estimates a substantial amount of Water CSO payments are due to the government's rural irrigation water price discount for Sunwater and Seqwater customers which has been extended to 2024–25. There is no CSO forecast in 2026–27 because irrigation prices have not yet been set for 2025–26 and beyond.

Similarly, TSC payments are made to Queensland Rail to deliver rail passenger services at non-commercial (subsidised) prices for commuter and tourism markets.

Total PNFC Sector CSO and TSC payments for 2022–23 are expected to be $2.729 billion, largely in line with the 2022–23 Budget. Over the forward estimates, CSO and TSC payments are expected to increase to $3.099 billion by 2026–27. This trend is largely driven by TSC payments, which reflect a range of adjustments associated with growth, maintenance, and safety of the rail network. This includes delivery of significant capital projects, upgrades to existing assets, and operational activities associated with transformation and Cross River Rail.

Table 8.7 Community service obligation payments and transport services contracts[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Electricity Networks	525	635	621	537	538	548	573
Rail	1,998	2,153	2,085	2,306	2,492	2,580	2,526
Water	25	24	24	23	28	7	..
Total PNFC sector	**2,548**	**2,812**	**2,729**	**2,866**	**3,059**	**3,135**	**3,099**

Note:

1. Numbers may not add due to rounding.

8.2.5 Equity movements

Corporations may apply different target capital structures to optimise value and support business operations. Equity movements account for changes in contributed equity and special dividends. The Queensland Government provides new equity to support Queensland's publicly-owned businesses invest in critical new infrastructure projects across the state.

In 2022–23, total PNFC Sector net equity contributions are expected to be $808 million, compared to a $418 million forecast at the 2022–23 Budget, with the difference primarily due to a $500 million allocation to CleanCo for wind and solar investments in Central Queensland.

Over the forward estimates, total PNFC Sector equity movements reflect $4 billion from increased coal royalties allocated to a range of projects in regional Queensland, including in the energy, water, and ports sectors, as well as new government funding to support the rollout of the QEJP, including Queensland's pumped hydro energy storage assets and projects supported by the $4.5 billion Queensland Renewable Energy and Hydrogen Jobs Fund.

In the electricity networks and generation sectors, equity adjustments reflect new investments in renewable energy, hydrogen, and storage assets, as well as to maintain the gearing ratios of network businesses over time, including special dividends. Due to ongoing delays, CleanCo is pausing the development of the Karara Wind Farm, with the $250 million equity allocation for the project repurposed towards other renewable project investment opportunities.

In the rail sector, equity movements primarily relate to new investments in significant capital projects associated with reconfiguration of the rail network and Cross River Rail.

In the ports sector, major equity movements relate to GPC and NQBP major projects (including those funded from coal royalties), and the pass through of funding under existing agreements with the Australian Government, such as the Bundaberg Port conveyor under the Hinkler Regional Deal and the Townsville Channel Capacity Upgrade under the Townsville City Deal.

In the water sector, the government has committed over $2 billion in new funding for Sunwater's Paradise Dam Improvement Project and Burdekin Falls Dam Improvement and Raising Project, Seqwater's Toowoomba to Warwick Pipeline, and Gladstone Area Water Board's Fitzroy to Gladstone Pipeline.

Equity over the forward estimates in the corporations captured under ‘Other’ is primarily for Queensland Hydro to deliver the Borumba Pumped Hydro Energy Storage project and continue progressing the detailed feasibility study for Pioneer-Burdekin Pumped Hydro Energy Storage project.

Table 8.8 Equity movements[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Electricity Networks	(40)	(70)	(160)	372	393	165	235
Electricity Generation	..	370	809	682	1,319	100	100
Rail	(5)	36	36	..	..	197	..
Ports	26	37	41	82	217	118	43
Water	..	3	22	570	666	454	457
Other[2]	4	43	60	254	853	1,684	1,689
Total PNFC sector	**(14)**	**418**	**808**	**1,960**	**3,447**	**2,717**	**2,524**

Notes:

1. Numbers may not add due to rounding.
2. Includes other public corporations.

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 Premiers' conference in 1991.

The UPF has been reviewed a number of times, more 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 more recently in February 2019 following the 2015 update to the Australian GFS framework.

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 of differences arising from it, including the conceptual basis and sector definitions, along with 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 Sector, Public Non-financial Corporations (PNFC) Sector and Non-financial Public Sector.

Budgeted financial information for the Public Financial Corporations Sector is not required by the UPF.

Table 9.1 General Government Sector Operating Statement[1]

		2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est.Actual $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
	Revenue from Transactions							
	Taxation revenue	20,011	18,842	20,563	21,938	23,125	24,285	25,387
	Grants revenue	34,135	35,242	36,571	39,643	38,943	38,937	40,618
	Sales of goods and services	5,896	6,181	6,344	6,921	6,969	7,054	6,871
	Interest income	2,643	2,847	3,166	3,206	3,173	3,116	3,107
	Dividend and income tax equivalent income	790	1,499	1,043	1,521	1,884	1,857	1,958
	Other revenue	10,710	9,275	19,937	8,850	8,008	7,609	7,650
	Total Revenue from Transactions	**74,185**	**73,886**	**87,623**	**82,079**	**82,102**	**82,858**	**85,591**
Less	**Expenses from Transactions**							
	Employee expenses	28,068	30,076	30,279	32,175	32,825	33,864	34,930
	Superannuation expenses							
	Superannuation interest cost	377	655	775	721	665	621	587
	Other superannuation expenses	3,387	3,493	3,733	4,188	4,302	4,419	4,523
	Other operating expenses	18,228	19,805	20,287	22,969	21,615	21,781	22,411
	Depreciation and amortisation	4,506	4,652	4,910	5,039	5,242	5,443	5,672
	Other interest expenses	1,508	1,826	1,715	1,974	2,472	2,984	3,520
	Grants expenses	13,817	14,407	13,618	17,195	14,845	13,542	13,570
	Total Expenses from Transactions	**69,889**	**74,915**	**75,317**	**84,261**	**81,967**	**82,653**	**85,214**
Equals	**Net Operating Balance**	**4,296**	**(1,029)**	**12,305**	**(2,182)**	**135**	**206**	**377**
Plus	Other economic flows - included in operating result	(913)	1	(585)	(40)	(33)	(9)	14
Equals	**Operating Result**	**3,383**	**(1,028)**	**11,720**	**(2,222)**	**102**	**197**	**391**
Plus	Other economic flows - other movements in equity	36,616	3,348	7,866	3,785	3,024	3,169	3,422
Equals	**Comprehensive Result - Total Change In Net Worth**	**39,999**	**2,320**	**19,587**	**1,563**	**3,126**	**3,366**	**3,814**
	KEY FISCAL AGGREGATES							
	Net Operating Balance	4,296	(1,029)	12,305	(2,182)	135	206	377
Less	**Net Acquisition of Non-financial Assets**							
	Purchases of non-financial assets	7,889	8,478	9,194	9,347	11,473	11,417	11,389
	Less Sales of non-financial assets	255	177	104	276	185	180	177
	Less Depreciation	4,506	4,652	4,910	5,039	5,242	5,443	5,672
	Plus Change in inventories	(77)	42	65	(35)	51	1	(47)
	Plus Other movements in non-financial assets	1,315	914	1,275	538	1,303	388	185
	Equals **Total Net Acquisition of Non-financial Assets**	4,367	4,606	5,520	4,534	7,400	6,183	5,678
Equals	**Fiscal Balance**	**(71)**	**(5,635)**	**6,786**	**(6,716)**	**(7,265)**	**(5,977)**	**(5,301)**

Note:
1. Numbers may not add due to rounding.

Table 9.2 Public Non-financial Corporations Sector Operating Statement[1]

		2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est.Actual $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
	Revenue from Transactions							
	Grants revenue	687	851	867	805	721	704	667
	Sales of goods and services	14,905	12,211	14,314	13,664	14,428	15,422	16,807
	Interest income	66	56	92	94	93	101	85
	Other revenue	293	471	562	1,183	335	312	258
	Total Revenue from Transactions	**15,951**	**13,589**	**15,835**	**15,746**	**15,578**	**16,539**	**17,816**
Less	**Expenses from Transactions**							
	Employee expenses	2,245	2,471	2,491	2,692	2,866	2,938	2,957
	Superannuation expenses							
	Superannuation interest cost	(5)	..	..	..	..	..	..
	Other superannuation expenses	260	244	290	320	333	340	350
	Other operating expenses	7,484	4,576	7,087	6,575	5,861	5,844	6,180
	Depreciation and amortisation	2,719	2,924	2,945	3,195	3,370	3,696	3,997
	Other interest expenses	1,610	1,622	1,679	1,807	1,891	2,120	2,396
	Grants expenses	25	24	25	25	25	19	19
	Other property expenses	550	528	369	502	605	584	601
	Total Expenses from Transactions	**14,888**	**12,389**	**14,887**	**15,116**	**14,951**	**15,541**	**16,499**
Equals	**Net Operating Balance**	**1,062**	**1,199**	**948**	**630**	**626**	**998**	**1,317**
Plus	Other economic flows - included in operating result	(126)	138	(594)	691	590	9	(308)
Equals	**Operating Result**	**936**	**1,337**	**355**	**1,320**	**1,216**	**1,007**	**1,010**
Plus	Other economic flows - other movements in equity	(1,971)	816	3,711	2,378	3,133	2,449	2,254
Equals	**Comprehensive Result - Total Change In Net Worth**	**(1,035)**	**2,153**	**4,065**	**3,698**	**4,349**	**3,456**	**3,264**
	KEY FISCAL AGGREGATES							
	Net Operating Balance	1,062	1,199	948	630	626	998	1,317
Less	**Net Acquisition of Non-financial Assets**							
	Purchases of non-financial assets	3,134	3,334	4,489	5,849	8,735	8,534	10,233
	Less Sales of non-financial assets	63	33	38	5	6	15	3
	Less Depreciation	2,719	2,924	2,945	3,195	3,370	3,696	3,997
	Plus Change in inventories	48	16	169	(37)	13	1	2
	Plus Other movements in non-financial assets	60	105	97	795	82	83	85
	Equals **Total Net Acquisition of Non-financial Assets**	462	498	1,772	3,408	5,455	4,907	6,320
Equals	**Fiscal Balance**	**601**	**701**	**(824)**	**(2,778)**	**(4,829)**	**(3,909)**	**(5,003)**

Note:
1. Numbers may not add due to rounding.

Table 9.3 Non-financial Public Sector Operating Statement[1]

		2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est.Actual $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
	Revenue from Transactions							
	Taxation revenue	19,640	18,481	20,190	21,553	22,735	23,877	24,970
	Grants revenue	34,148	35,263	36,592	39,693	38,986	38,983	40,651
	Sales of goods and services	17,960	15,519	17,719	17,557	18,155	19,223	20,856
	Interest income	2,703	2,899	3,238	3,279	3,246	3,202	3,174
	Dividend and income tax equivalent income	49	161	167	179	197	215	239
	Other revenue	10,984	9,744	20,497	9,664	8,340	7,918	7,906
	Total Revenue from Transactions	**85,485**	**82,066**	**98,403**	**91,924**	**91,660**	**93,420**	**97,796**
Less	**Expenses from Transactions**							
	Employee expenses	30,177	32,414	32,623	34,711	35,530	36,635	37,716
	Superannuation expenses							
	Superannuation interest cost	372	655	775	721	665	621	587
	Other superannuation expenses	3,647	3,738	4,024	4,507	4,635	4,759	4,873
	Other operating expenses	22,843	21,499	24,427	26,499	24,212	24,349	25,744
	Depreciation and amortisation	7,225	7,576	7,855	8,234	8,612	9,138	9,669
	Other interest expenses	2,905	3,228	3,159	3,551	4,137	4,872	5,679
	Grants expenses	13,167	13,601	12,798	16,098	14,193	12,903	12,956
	Total Expenses from Transactions	**80,335**	**82,710**	**85,660**	**94,320**	**91,985**	**93,277**	**97,224**
Equals	**Net Operating Balance**	**5,150**	**(644)**	**12,743**	**(2,397)**	**(325)**	**143**	**572**
Plus	Other economic flows - included in operating result	(1,119)	69	(1,339)	580	472	(90)	(383)
Equals	**Operating Result**	**4,030**	**(575)**	**11,404**	**(1,816)**	**147**	**53**	**189**
Plus	Other economic flows - other movements in equity	35,970	2,895	8,181	3,379	2,980	3,313	3,625
Equals	**Comprehensive Result - Total Change In Net Worth**	**40,000**	**2,320**	**19,585**	**1,563**	**3,126**	**3,366**	**3,814**
	KEY FISCAL AGGREGATES							
	Net Operating Balance	5,150	(644)	12,743	(2,397)	(325)	143	572
Less	**Net Acquisition of Non-financial Assets**							
	Purchases of non-financial assets	11,140	11,812	13,601	15,231	20,135	19,973	21,566
	Less Sales of non-financial assets	317	211	142	281	191	196	180
	Less Depreciation	7,225	7,576	7,855	8,234	8,612	9,138	9,669
	Plus Change in inventories	(29)	59	234	(72)	64	2	(45)
	Plus Other movements in non-financial assets	1,376	1,020	1,371	1,333	1,385	471	271
	Equals **Total Net Acquisition of Non-financial Assets**	4,945	5,104	7,210	7,977	12,781	11,112	11,942
Equals	**Fiscal Balance**	**205**	**(5,749)**	**5,533**	**(10,373)**	**(13,105)**	**(10,969)**	**(11,371)**

Note:
1. Numbers may not add due to rounding.

Table 9.4 General Government Sector Balance Sheet[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est.Actual $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Assets							
Financial Assets							
Cash and deposits	1,710	757	1,072	846	784	826	800
Advances paid	1,233	1,408	1,222	1,540	1,634	1,672	1,704
Investments, loans and placements	44,135	46,267	48,330	48,638	47,366	47,216	47,561
Receivables	4,166	4,947	4,075	4,744	5,065	5,147	5,038
Equity							
Investments in other public sector entities	19,980	22,455	24,717	28,415	32,764	36,220	39,484
Investments - other	165	165	165	165	165	165	165
Total Financial Assets	**71,389**	**76,000**	**79,580**	**84,347**	**87,778**	**91,246**	**94,751**
Non-financial Assets							
Land and other fixed assets	282,272	254,571	290,149	296,744	306,318	314,648	322,494
Other non-financial assets	10,065	6,745	6,915	7,568	7,946	8,303	8,705
Total Non-financial Assets	**292,337**	**261,316**	**297,064**	**304,312**	**314,265**	**322,951**	**331,199**
Total Assets	**363,726**	**337,316**	**376,644**	**388,659**	**402,043**	**414,197**	**425,950**
Liabilities							
Payables	5,488	4,965	5,295	5,328	5,415	5,506	5,447
Superannuation liability	22,168	24,069	21,205	20,827	20,075	19,047	17,752
Other employee benefits	9,026	9,615	9,559	10,028	10,525	10,989	10,879
Advances received	1,310	1,745	1,782	1,734	1,818	2,236	2,184
Borrowing[2]	56,764	66,459	54,693	65,479	76,040	85,127	94,814
Other liabilities	19,347	14,210	14,898	14,489	14,270	14,026	13,793
Total Liabilities	**114,102**	**121,062**	**107,434**	**117,886**	**128,142**	**136,930**	**144,870**
Net Worth	**249,624**	**216,254**	**269,210**	**270,774**	**273,900**	**277,266**	**281,080**
Net Financial Worth	(42,713)	(45,062)	(27,853)	(33,538)	(40,365)	(45,685)	(50,119)
Net Financial Liabilities	62,694	67,517	52,570	61,953	73,129	81,905	89,603
Net Debt	10,997	19,772	5,852	16,190	28,074	37,648	46,934

Notes:

1. Numbers may not add due to rounding.
2. Borrowing line comprised of:

Borrowing with QTC	49,000	58,853	47,014	57,494	67,872	78,104	88,154
Leases and other similar arrangements	7,671	7,385	7,586	7,892	8,074	6,929	6,567
Securities and derivatives	93	220	93	93	93	93	93
	56,764	**66,459**	**54,693**	**65,479**	**76,040**	**85,127**	**94,814**

Table 9.5 Public Non-financial Corporations Sector Balance Sheet[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est.Actual $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Assets							
Financial Assets							
Cash and deposits	1,162	1,162	851	950	1,069	1,142	1,280
Advances paid	1,053	1,554	1,597	1,598	1,656	2,122	2,121
Investments, loans and placements	15,926	2,914	5,638	2,739	1,837	1,590	1,361
Receivables	2,624	2,056	2,238	2,419	2,510	2,640	2,744
Equity							
Investments - other	6	7	56	66	66	66	66
Total Financial Assets	**20,770**	**7,693**	**10,380**	**7,772**	**7,137**	**7,559**	**7,571**
Non-financial Assets							
Land and other fixed assets	64,642	65,864	68,471	73,250	79,823	85,796	93,248
Other non-financial assets	5,926	1,396	1,608	1,470	1,411	1,338	1,269
Total Non-financial Assets	**70,568**	**67,260**	**70,079**	**74,720**	**81,234**	**87,134**	**94,517**
Total Assets	**91,338**	**74,953**	**80,459**	**82,492**	**88,371**	**94,694**	**102,088**
Liabilities							
Payables	2,472	2,037	2,035	2,717	2,942	2,940	3,135
Superannuation liability	(400)	(273)	(400)	(400)	(400)	(400)	(400)
Other employee benefits	927	1,008	956	1,015	1,072	1,116	1,160
Deposits held	11	12	11	11	11	11	11
Advances received	22	4	4	3	2	2	1
Borrowing[2]	59,495	44,334	47,875	45,166	46,120	48,664	52,207
Other liabilities	11,191	7,816	8,294	8,596	8,892	9,174	9,522
Total Liabilities	**73,719**	**54,938**	**58,774**	**57,109**	**58,640**	**61,506**	**65,637**
Net Worth	**17,619**	**20,014**	**21,685**	**25,383**	**29,731**	**33,187**	**36,451**
Net Financial Worth	(52,949)	(47,245)	(48,395)	(49,338)	(51,503)	(53,947)	(58,066)
Net Debt	41,389	38,720	39,804	39,893	41,572	43,823	47,457
Notes:							
1. Numbers may not add due to rounding.							
2. Borrowing line comprised of:							
Borrowing with QTC	41,851	41,700	43,074	42,963	44,932	47,743	51,402
Leases and other similar arrangements	357	326	354	653	594	527	460
Securities and derivatives	17,288	2,308	4,447	1,550	594	394	345
	59,495	**44,334**	**47,875**	**45,166**	**46,120**	**48,664**	**52,207**

Table 9.6 Non-financial Public Sector Balance Sheet[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est.Actual $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Assets							
Financial Assets							
Cash and deposits	2,872	1,919	1,923	1,796	1,852	1,967	2,079
Advances paid	1,216	1,404	1,223	1,542	1,637	1,676	1,708
Investments, loans and placements	60,060	49,180	53,967	51,377	49,203	48,806	48,922
Receivables	5,958	5,761	5,413	5,760	5,897	6,084	5,956
Equity							
Investments in other public sector entities	2,363	2,442	3,033	3,033	3,033	3,033	3,033
Investments - other	171	172	221	231	231	231	231
Total Financial Assets	**72,640**	**60,879**	**65,780**	**63,738**	**61,853**	**61,797**	**61,930**
Non-financial Assets							
Land and other fixed assets	346,914	320,434	358,619	369,993	386,141	400,444	415,741
Other non-financial assets	1,259	1,095	1,125	1,205	1,160	1,130	1,100
Total Non-financial Assets	**348,173**	**321,530**	**359,743**	**371,198**	**387,300**	**401,574**	**416,841**
Total Assets	**420,813**	**382,408**	**425,523**	**434,937**	**449,153**	**463,371**	**478,770**
Liabilities							
Payables	7,182	5,811	6,484	6,699	6,735	6,801	6,816
Superannuation liability	21,768	23,796	20,805	20,427	19,675	18,648	17,352
Other employee benefits	9,953	10,623	10,516	11,044	11,597	12,105	12,040
Deposits held	11	12	11	11	11	11	11
Advances received	262	190	190	142	168	118	68
Borrowing[2]	116,252	110,786	102,561	110,638	122,152	133,784	147,015
Other liabilities	15,758	14,936	15,746	15,203	14,914	14,637	14,389
Total Liabilities	**171,187**	**166,154**	**156,313**	**164,163**	**175,253**	**186,105**	**197,690**
Net Worth	**249,625**	**216,254**	**269,210**	**270,774**	**273,900**	**277,266**	**281,080**
Net Financial Worth	(98,547)	(105,276)	(90,533)	(100,424)	(113,400)	(124,308)	(135,761)
Net Financial Liabilities	100,911	107,717	93,566	103,458	116,434	127,341	138,794
Net Debt	52,379	58,485	45,649	56,077	69,639	81,464	94,384

Notes:

1. Numbers may not add due to rounding.
2. Borrowing line comprised of:

Borrowing with QTC	90,851	100,553	90,088	100,457	112,803	125,847	139,556
Leases and other similar arrangements	8,028	7,711	7,941	8,545	8,668	7,456	7,027
Securities and derivatives	17,374	2,521	4,533	1,636	681	481	432
	116,252	**110,786**	**102,561**	**110,638**	**122,152**	**133,784**	**147,015**

Table 9.7 General Government Sector Cash Flow Statement[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est.Actual $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Cash Receipts from Operating Activities							
Taxes received	20,766	18,840	20,561	21,936	23,123	24,283	25,385
Grants and subsidies received	34,377	34,382	36,948	39,641	38,942	38,939	40,619
Sales of goods and services	6,298	6,457	5,712	7,196	7,321	7,392	7,462
Interest receipts	2,638	2,844	3,169	3,203	3,173	3,117	3,110
Dividends and income tax equivalents	1,202	788	837	1,080	1,529	1,830	1,749
Other receipts	12,472	10,866	20,498	9,790	8,638	8,621	8,716
Total Operating Receipts	**77,753**	**74,178**	**87,725**	**82,846**	**82,725**	**84,181**	**87,042**
Cash Payments for Operating Activities							
Payments for employees	(31,739)	(34,334)	(34,791)	(37,332)	(38,069)	(39,261)	(41,079)
Payments for goods and services	(20,506)	(22,258)	(20,955)	(24,872)	(23,600)	(23,670)	(24,258)
Grants and subsidies	(13,617)	(14,293)	(13,532)	(16,689)	(14,782)	(13,488)	(13,525)
Interest paid	(1,441)	(1,755)	(1,639)	(1,892)	(2,374)	(2,874)	(3,442)
Total Operating Payments	**(67,303)**	**(72,640)**	**(70,918)**	**(80,786)**	**(78,825)**	**(79,294)**	**(82,305)**
Net Cash Inflows from Operating Activities	**10,451**	**1,538**	**16,807**	**2,060**	**3,901**	**4,887**	**4,737**
Cash Flows from Investments in Non-Financial Assets							
Purchases of non-financial assets	(7,889)	(8,478)	(9,194)	(9,347)	(11,473)	(11,417)	(11,389)
Sales of non-financial assets	255	177	104	276	185	180	177
Net Cash Flows from Investments in Non-financial Assets	**(7,635)**	**(8,301)**	**(9,090)**	**(9,071)**	**(11,288)**	**(11,237)**	**(11,212)**
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**127**	**(478)**	**(774)**	**(2,264)**	**(3,534)**	**(2,744)**	**(2,545)**
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**(3,889)**	**1,321**	**(7,122)**	**4,657**	**1,391**	**226**	**(314)**
Receipts from Financing Activities							
Advances received (net)	(126)	900	482	(46)	86	419	(49)
Borrowing (net)	1,653	4,797	(942)	4,437	9,383	8,490	9,356
Net Cash Flows from Financing Activities	**1,527**	**5,697**	**(460)**	**4,391**	**9,469**	**8,909**	**9,307**
Net Increase/(Decrease) in Cash held	**581**	**(223)**	**(638)**	**(226)**	**(62)**	**42**	**(26)**
Net cash from operating activities	10,451	1,538	16,807	2,060	3,901	4,887	4,737
Net cash flows from investments in non-financial assets	(7,635)	(8,301)	(9,090)	(9,071)	(11,288)	(11,237)	(11,212)
Surplus/(Deficit)	**2,816**	**(6,763)**	**7,717**	**(7,010)**	**(7,388)**	**(6,350)**	**(6,475)**
Derivation of ABS GFS Cash Surplus/Deficit							
Cash surplus/(deficit)	2,816	(6,763)	7,717	(7,010)	(7,388)	(6,350)	(6,475)
Acquisitions under finance leases and similar arrangements	(1,051)	(810)	(1,082)	(814)	(644)	(216)	(5)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	**1,765**	**(7,573)**	**6,635**	**(7,824)**	**(8,032)**	**(6,566)**	**(6,480)**

Note:
1. Numbers may not add due to rounding.

Table 9.8 Public Non-financial Corporations Sector Cash Flow Statement[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est.Actual $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Cash Receipts from Operating Activities							
Grants and subsidies received	676	831	844	799	710	692	653
Sales of goods and services	16,497	14,112	17,086	15,616	16,473	17,496	19,034
Interest receipts	66	56	92	94	94	102	85
Other receipts	235	321	425	687	303	282	216
Total Operating Receipts	**17,474**	**15,319**	**18,447**	**17,195**	**17,579**	**18,572**	**19,988**
Cash Payments for Operating Activities							
Payments for employees	(2,493)	(2,641)	(2,758)	(2,953)	(3,142)	(3,234)	(3,262)
Payments for goods and services	(8,941)	(5,979)	(9,449)	(8,331)	(7,909)	(7,658)	(7,946)
Grants and subsidies	(25)	(24)	(25)	(25)	(25)	(19)	(19)
Interest paid	(1,606)	(1,610)	(1,674)	(1,793)	(1,879)	(2,086)	(2,380)
Other payments	(976)	(999)	(1,117)	(976)	(1,066)	(1,229)	(1,235)
Total Operating Payments	**(14,042)**	**(11,253)**	**(15,023)**	**(14,078)**	**(14,021)**	**(14,226)**	**(14,842)**
Net Cash Inflows from Operating Activities	**3,432**	**4,066**	**3,424**	**3,117**	**3,558**	**4,345**	**5,145**
Cash Flows from Investments in Non-Financial Assets							
Purchases of non-financial assets	(3,134)	(3,334)	(4,489)	(5,849)	(8,735)	(8,534)	(10,233)
Sales of non-financial assets	63	33	38	5	6	15	3
Net Cash Flows from Investments in Non-financial Assets	**(3,071)**	**(3,301)**	**(4,451)**	**(5,844)**	**(8,729)**	**(8,518)**	**(10,230)**
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**4**	**(1,017)**	**(703)**	**(80)**	**(143)**	**(557)**	**(89)**
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**899**	**608**	**370**	**10**	**(18)**	**(19)**	**(20)**
Receipts from Financing Activities							
Advances received (net)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Borrowing (net)	223	(415)	1,592	521	2,166	2,803	3,737
Dividends paid	(735)	(192)	(246)	(474)	(844)	(1,086)	(1,061)
Deposits received (net)	(1)	..	..	..	..	..	..
Other financing (net)	(705)	488	(296)	2,850	4,129	3,105	2,656
Net Cash Flows from Financing Activities	**(1,220)**	**(119)**	**1,049**	**2,896**	**5,450**	**4,821**	**5,332**
Net Increase/(Decrease) in Cash held	**44**	**237**	**(311)**	**99**	**118**	**73**	**138**
Net cash from operating activities	3,432	4,066	3,424	3,117	3,558	4,345	5,145
Net cash flows from investments in non-financial assets	(3,071)	(3,301)	(4,451)	(5,844)	(8,729)	(8,518)	(10,230)
Dividends paid	(735)	(192)	(246)	(474)	(844)	(1,086)	(1,061)
Surplus/(Deficit)	**(375)**	**573**	**(1,273)**	**(3,201)**	**(6,015)**	**(5,259)**	**(6,146)**
Derivation of ABS GFS Cash Surplus/Deficit							
Cash surplus/(deficit)	(375)	573	(1,273)	(3,201)	(6,015)	(5,259)	(6,146)
Acquisitions under finance leases and similar arrangements	(13)	(26)	(34)	(360)	(5)	(5)	(6)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	**(388)**	**547**	**(1,307)**	**(3,562)**	**(6,021)**	**(5,263)**	**(6,152)**

Note:

1. Numbers may not add due to rounding.

Table 9.9 Non-financial Public Sector Cash Flow Statement[1]

	2021–22 Outcome $ million	2022–23 Budget $ million	2022–23 Est.Actual $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Cash Receipts from Operating Activities							
Taxes received	20,400	18,480	20,189	21,552	22,734	23,876	24,969
Grants and subsidies received	34,390	34,392	36,956	39,679	38,974	38,973	40,641
Sales of goods and services	20,095	17,413	19,495	19,401	20,160	21,242	23,273
Interest receipts	2,698	2,896	3,242	3,276	3,245	3,203	3,177
Dividends and income tax equivalents	79	104	91	169	184	202	222
Other receipts	12,782	11,174	20,838	10,511	8,865	8,924	8,870
Total Operating Receipts	**90,445**	**84,459**	**100,811**	**94,588**	**94,162**	**96,420**	**101,151**
Cash Payments for Operating Activities							
Payments for employees	(34,096)	(36,842)	(37,403)	(40,129)	(41,049)	(42,328)	(44,171)
Payments for goods and services	(26,697)	(25,064)	(27,094)	(29,776)	(27,857)	(27,662)	(28,952)
Grants and subsidies	(12,979)	(13,496)	(12,720)	(15,955)	(14,129)	(12,850)	(12,913)
Interest paid	(2,837)	(3,144)	(3,078)	(3,455)	(4,027)	(4,729)	(5,585)
Other payments	(570)	(501)	(612)	(534)	(560)	(682)	(764)
Total Operating Payments	**(77,179)**	**(79,048)**	**(80,907)**	**(89,849)**	**(87,622)**	**(88,251)**	**(92,385)**
Net Cash Inflows from Operating Activities	**13,266**	**5,411**	**19,904**	**4,738**	**6,541**	**8,169**	**8,766**
Cash Flows from Investments in Non-Financial Assets							
Purchases of non-financial assets	(11,140)	(11,812)	(13,601)	(15,231)	(20,135)	(19,973)	(21,566)
Sales of non-financial assets	317	211	142	281	191	196	180
Net Cash Flows from Investments in Non-financial Assets	**(10,823)**	**(11,602)**	**(13,459)**	**(14,950)**	**(19,944)**	**(19,777)**	**(21,386)**
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**112**	**(60)**	**35**	**(314)**	**(87)**	**(27)**	**(22)**
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**(2,990)**	**1,929**	**(6,752)**	**4,667**	**1,373**	**207**	**(333)**
Receipts from Financing Activities							
Advances received (net)	(39)	(47)	(62)	(47)	28	(48)	(48)
Borrowing (net)	1,876	4,382	650	4,958	11,549	11,293	13,093
Deposits received (net)	(1)	..	..	..	..	..	..
Other financing (net)	(776)	..	(1,264)	820	597	298	42
Net Cash Flows from Financing Activities	**1,061**	**4,335**	**(676)**	**5,731**	**12,174**	**11,543**	**13,087**
Net Increase/(Decrease) in Cash held	**625**	**13**	**(949)**	**(127)**	**57**	**115**	**112**
Net cash from operating activities	13,266	5,411	19,904	4,738	6,541	8,169	8,766
Net cash flows from investments in non-financial assets	(10,823)	(11,602)	(13,459)	(14,950)	(19,944)	(19,777)	(21,386)
Surplus/(Deficit)	**2,443**	**(6,191)**	**6,444**	**(10,211)**	**(13,403)**	**(11,608)**	**(12,620)**
Derivation of ABS GFS Cash Surplus/Deficit							
Cash surplus/(deficit)	2,443	(6,191)	6,444	(10,211)	(13,403)	(11,608)	(12,620)
Acquisitions under finance leases and similar arrangements	(1,064)	(835)	(1,116)	(1,174)	(649)	(221)	(11)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	**1,379**	**(7,026)**	**5,328**	**(11,386)**	**(14,052)**	**(11,829)**	**(12,632)**

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 2010–11 to 2021–22 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]

	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	2020–21 Actual $ million	2021–22 Actual $ million
Revenue from Transactions												
Taxation revenue	9,981	10,608	10,937	11,840	12,598	12,547	12,919	13,244	14,165	14,585	16,249	20,011
Grant revenue	20,338	22,652	18,322	21,740	23,583	23,740	27,384	27,966	28,307	27,645	33,013	34,135
Sales of goods and services	4,172	5,002	5,087	5,039	5,443	5,712	5,642	5,884	5,783	5,618	6,105	5,896
Interest income	2,368	2,485	2,644	2,460	2,470	2,543	2,351	2,389	2,191	2,088	1,948	2,643
Dividend and income tax equivalent income	1,232	1,112	1,351	1,975	2,554	2,661	2,675	2,920	2,784	1,926	1,329	790
Other revenue	3,921	3,942	3,415	3,650	3,322	3,577	5,223	5,685	6,598	5,915	4,147	10,710
Total Revenue	**42,013**	**45,801**	**41,755**	**46,705**	**49,970**	**50,780**	**56,194**	**58,087**	**59,828**	**57,778**	**62,791**	**74,185**
Expenses from Transactions												
Employee expenses	16,826	18,250	18,130	17,816	18,592	20,045	21,258	22,681	24,019	25,662	26,385	28,068
Superannuation expenses												
Superannuation interest costs	1,240	1,216	923	963	878	767	514	667	653	354	246	377
Other superannuation expenses	2,171	2,301	2,420	2,277	2,319	2,507	2,661	2,741	3,012	3,183	3,073	3,387
Other operating expenses	8,646	9,497	12,817	13,108	14,539	14,811	15,578	17,259	16,480	17,085	16,500	18,228
Depreciation and amortisation	2,507	2,777	2,902	3,060	3,137	2,921	3,068	3,326	3,451	4,033	4,170	4,506
Other interest expenses	1,125	1,659	1,940	2,200	2,328	2,220	1,722	1,614	1,581	1,486	1,619	1,508
Grant expenses	10,963	10,327	7,182	6,792	7,758	6,841	8,568	8,048	9,647	11,702	11,713	13,817
Total Expenses	**43,479**	**46,028**	**46,312**	**46,217**	**49,551**	**50,112**	**53,369**	**56,337**	**58,843**	**63,505**	**63,706**	**69,889**
Net Operating Balance	**(1,466)**	**(226)**	**(4,558)**	**488**	**420**	**668**	**2,825**	**1,750**	**985**	**(5,728)**	**(915)**	**4,296**
OTHER KEY AGGREGATES												
Purchases of non-financial assets	8,237	7,971	7,001	6,323	4,635	4,044	4,620	5,126	5,764	6,306	6,682	7,889
Net acquisition of non-financial assets	5,583	5,241	3,389	3,087	992	1,164	2,265	2,337	3,192	3,436	3,942	4,367
Fiscal Balance	**(7,049)**	**(5,467)**	**(7,947)**	**(2,599)**	**(572)**	**(497)**	**560**	**(587)**	**(2,207)**	**(9,164)**	**(4,857)**	**(71)**
Cash Surplus/(Deficit)	(5,880)	(4,951)	(8,585)	(3,213)	(105)	866	1,448	337	302	(6,228)	(6,421)	2,816
Net Worth	177,875	170,745	172,963	166,492	171,933	188,099	194,988	195,038	200,861	195,646	209,464	249,624
Net Debt	(9,542)	(5,720)	2,399	5,208	5,749	653	(355)	(509)	(198)	14,036	11,344	10,997
Borrowing with QTC[2]	23,711	28,391	36,508	39,864	41,343	34,200	31,358	29,256	29,468	37,570	46,153	49,000
Leases and similar arrangements	508	637	734	882	1,126	1,370	1,503	2,142	2,612	6,485	7,703	7,671
Borrowing with QTC (NFPS)	52,521	60,205	67,116	70,668	73,256	71,160	69,107	66,964	67,576	76,464	85,901	90,851
Leases and similar arrangements (NFPS)	884	1,127	1,559	1,752	1,802	1,316	1,882	2,142	2,612	6,977	8,157	8,028

Notes:
1. Numbers may not add due to rounding.
2. Borrowing in 2013–14 includes bank overdraft of $1.434 billion.

Source: Report on State Finances for Queensland 2010–11 to 2020–21. (Numbers have been recast for changes to UPF presentation.)

9.4 Other General Government Sector Uniform Presentation Framework data

Data in the following tables is presented in accordance with the UPF.

9.4.1 Grants

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]

	2022–23 Est. Act. $ million	2023–24 Budget $ million
Current grant revenue		
Current grants from the Commonwealth		
General purpose grants	18,401	19,508
Specific purpose grants	10,694	11,433
Specific purpose grants for on-passing	4,090	4,680
Total current grants from the Commonwealth	33,185	35,621
Other contributions and grants	415	323
Total current grant revenue	**33,600**	**35,944**
Capital grant revenue		
Capital grants from the Commonwealth		
General purpose grants	2	..
Specific purpose grants	2,936	3,679
Total capital grants from the Commonwealth	2,938	3,679
Other contributions and grants	33	20
Total capital grant revenue	**2,971**	**3,699**
Total grant revenue	**36,571**	**39,643**

Note:
1. Numbers may not add due to rounding.

Table 9.12 General Government Sector grant expenses[1]

	2022–23 Est. Act $ million	2023–24 Budget $ million
Current grant expense		
Private and Not-for-profit sector	3,582	4,497
Private and Not-for-profit sector on-passing	3,984	4,164
Local Government	294	189
Local Government on-passing	156	566
Grants to other sectors of Government	2,875	3,067
Other	405	385
Total current grant expense	**11,295**	**12,868**
Capital grant expense		
Private and Not-for-profit sector	567	1,421
Local Government	1,498	2,111
Grants to other sectors of Government	43	411
Other	215	383
Total capital grant expense	**2,323**	**4,327**
Total grant expense	**13,618**	**17,195**

Note:
1. Numbers may not add due to rounding.

9.4.2 Dividend 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]

	2022–23 Est. Act. $ million	2023–24 Budget $ million
Dividend and Income Tax Equivalent income from PNFC sector	876	1,342
Dividend and Income Tax Equivalent income from PFC sector	167	179
Total Dividend and Income Tax Equivalent income	**1,043**	**1,521**

Note:
1. Numbers may not add due to rounding.

9.4.3 Expenses by function

Table 9.14 provides details of General Government Sector expenses by function.

Table 9.14 General Government Sector expenses by function[1]

	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
General public services	6,555	6,057	7,319	7,416	7,723	7,963
Public order and safety	6,719	6,623	7,615	7,744	7,824	7,972
Economic affairs	2,810	2,817	3,375	2,411	2,255	2,200
Environmental protection	846	998	1,008	864	850	906
Housing and community amenities	1,539	1,377	2,091	1,451	1,306	1,363
Health	22,466	23,434	24,260	25,088	25,873	27,308
Recreation, culture and religion	1,022	960	1,218	1,012	1,085	1,130
Education	18,232	18,597	19,805	19,996	20,494	21,076
Social protection	6,936	6,414	8,154	6,651	6,577	6,874
Transport	7,791	8,041	9,415	9,333	8,666	8,423
Total Expenses	**74,915**	**75,317**	**84,261**	**81,967**	**82,653**	**85,214**

Note:
1. Numbers may not add due to rounding.

9.4.4 Purchases of non-financial assets by function

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]

	2022–23 Budget $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
General public services	223	201	243	289	254	254
Public order and safety	766	618	1,213	910	358	421
Economic affairs	47	47	131	126	124	58
Environmental protection	46	40	84	132	161	27
Housing and community amenities	371	399	415	530	364	265
Health	1,222	1,411	1,502	2,430	2,835	2,897
Recreation, culture and religion	140	129	186	141	97	130
Education	1,321	1,368	1,485	1,461	1,111	651
Social protection	65	67	129	88	81	41
Transport	4,278	4,914	3,959	5,367	6,030	6,645
Total Purchases	**8,478**	**9,194**	**9,347**	**11,473**	**11,417**	**11,389**

Note:
1. Numbers may not add due to rounding.

9.4.5 Taxes

Table 9.16 provides details of taxation revenue collected by the General Government Sector.

Table 9.16 General Government Sector taxes[1]

	2022–23 Est. Act. $ million	2023–24 Budget $ million
Taxes on employers' payroll and labour force	5,874	6,524
Taxes on property		
Land taxes	1,777	2,031
Stamp duties on financial and capital transactions	5,209	5,385
Other	1,408	1,435
Taxes on the provision of goods and services		
Taxes on gambling	1,927	2,015
Taxes on insurance	1,401	1,460
Taxes on use of goods and performance of activities		
Motor vehicle taxes	2,968	3,087
Total Taxation Revenue	**20,563**	**21,938**

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 *2021–22 Report on State Finances* – whole-of-government financial statements (note 43).

A summary of the state's quantifiable contingent liabilities as at 30 June 2022 is provided in Table 9.17.

Table 9.17 Contingent liabilities

	2021–22 $ million
Nature of contingent liability	
Guarantees and indemnities	12,842
Other	178
Total	**13,020**

9.6 Background and interpretation of Uniform Presentation Framework

As mentioned in the introduction to this chapter, the UPF was reviewed in 2007 following release of the 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 holding of assets and liabilities at a point in time, while 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 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 AASB 1049, the AASB adopted the following approaches:

- adoption of GAAP definition, recognition and measurement principles in almost all cases
- amended 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 continues to apply to financial statements produced by government in budget, 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 non-regulatory and non-financial nature. PNFCs are financed through sales to customers of their goods and services and may be supplemented by explicit government subsidy to satisfy community service obligations. In general, PNFCs are largely 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 discussions of the GFS framework of reporting, including definitions of GFS terms, can be obtained from the website page of the ABS at http://www.abs.gov.au.

9.8 Reporting entities

The reporting entities included in the General Government and the PNFC sectors in these budget papers are included below:

9.8.1 General Government

Departments

Agriculture and Fisheries

Child Safety, Seniors and Disability Services (renamed from Children, Youth Justice and Multicultural Affairs)

Housing (renamed from Communities, Housing and Digital Economy)

Education

Energy and Public Works

Environment and Science

Justice and Attorney-General

Premier and Cabinet

Queensland Corrective Services

Queensland Fire and Emergency Services

Queensland Health

Queensland Police Service

Queensland Treasury

Regional Development, Manufacturing and Water

Resources

State Development, Infrastructure, Local Government and Planning

Tourism, Innovation and Sport

Transport and Main Roads

Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts (renamed from Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships)

Youth Justice, Employment, Small Business and Training (renamed from Employment, Small Business and Training)

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

Prostitution Licensing Authority

Public Sector 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

Brisbane Organising Committee for the 2032 Olympic and Paralympic Games

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 (Seqwater)

Queensland Hydro Pty Ltd

Queensland Rail

Queensland Treasury Holdings Pty Ltd

Stadiums Queensland

Stanwell Corporation Limited

Sunwater Limited

Appendix A: Concessions statement

Queensland Government subsidies, discounts and rebates to ease cost-of-living pressures and support businesses

The Queensland Government is taking action on the national cost-of-living challenge, building on an extensive program of existing concessions and subsidies to deliver relief for households and small businesses.

Cost-of-living pressures are currently being felt right across the country, with Queensland households, businesses and industry continuing to face challenges including rising interest rates, increasing electricity costs and higher costs of goods and services.

While income support is the responsibility of the Australian Government, the Queensland Government has been actively working to assist households and businesses to manage cost-of-living pressures.

The Queensland Government provides a wide range of concessions including subsidies, rebates and discounts across a variety of services and products. These concessions provide Queenslanders with cost-of-living support for essentials like electricity, transport, health, housing, education and training services.

As highlighted in Chart A.1, the total value of all concessions provided to Queenslanders is estimated to be $8.224 billion in 2023–24. This represents an increase of 21.2 per cent compared with estimated actual concessions of $6.788 billion in 2022–23.

This uplift in concessions being paid to Queenslanders in 2023–24 reflects in part the government providing $1.617 billion[1] in 2023–24 towards new and expanded cost-of-living measures that will help address the challenges Queenslanders are facing.

This includes $1.483 billion for additional electricity bill support to households and small businesses facing cost-of living pressures. This is the most significant electricity bill support package announced by any state or territory, more than doubling the size of the Federally agreed support package for Queensland under the National Energy Bill Relief Fund.

As part of this package, all Queensland households will automatically receive a $550 Cost of Living Rebate on their electricity bill in 2023–24, while around 600,000 vulnerable households will benefit from a higher $700 Cost of Living Rebate.

The government's substantial cost-of-living relief package will more than offset typical household electricity bill increases in 2023–24. In some cases, households will have zero bills or be in credit in 2023–24.

Including the $550 Cost of Living Rebate in 2023–24, the government will have provided all Queensland households with a total of $1,125 in electricity rebates since 2018.

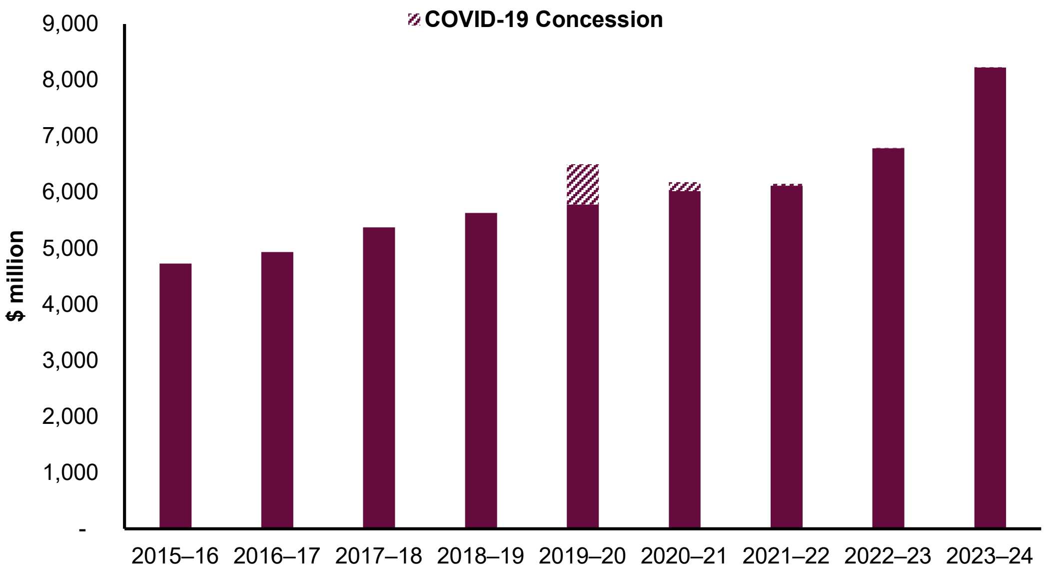
[1] Some minor elements of the cost-of-living measures included in this figure are grants and support measures not defined as concessions for the purposes of this chapter.

Eligible small businesses in Queensland will also receive an automatic rebate of $650 on their electricity bill in 2023–24. This includes around 205,000 Queensland small businesses that consume less than 100,000 kilowatt hours per annum.

The Budget is providing $645 million over 4 years from 2023–24 to provide 15 hours per week of free kindergarten from January 2024 for all 4-year-old Queensland children.

In addition to relieving cost-of-living pressures for families, this measure will remove cost as a barrier to participation in kindergarten, support labour market participation, and improve educational outcomes.

Chart A.1 Total concessions value by year[1]



Note:
1. Due to the timing of the 2020–21 Budget, an actual figure was calculated for the total concessions value in 2019–20. Values for all other years are estimated actuals aside from 2023–24, which is the budgeted amount.

Total government spending on concessions is expected to increase by 73.9 per cent from 2015–16 to 2023–24. This increase, on average, exceeds inflation by 4 per cent per annum.

This has ensured that the real value of concessions available to Queenslanders has not only been maintained but has grown over time. Further detail regarding Queensland Government cost-of-living support can be found in Chapter 1.

Box A.1 Cost-of-living relief for Queenslanders

The majority of Queenslanders benefit from at least one Queensland Government concession and, in many cases, may benefit from multiple concessions each year.

Retired couple

A retired couple in their seventies, living in their own home in South East Queensland with no dependents, both with a Queensland Seniors Card and on the pension, could benefit from a broad range of concessions in 2023–24 including:

- $700 Cost of Living Rebate plus the existing $372 electricity rebate, bringing total support to $1,072 off their electricity bill
- $120 South East Queensland water subsidy
- $200 for council rates
- $87 for reticulated natural gas
- an average benefit of $830 for general dental care under the Oral Health Scheme
- 50 per cent discount on Translink public transport services in South East Queensland
- registration fee concessions, which for a 4-cylinder vehicle would reduce the 12-month registration fee by 50 per cent from $360.60 to $180.30.

Low-income family

A low-income family with a Health Care Card and 3 children aged 4, 13 and 16 could benefit from a broad range of concessions in 2023–24, including:

- $700 Cost of Living Rebate on their electricity bill plus the existing $372 electricity rebate, bringing total support to $1,072
- $463 through the Textbook and Resource Allowance paid to the children’s school
- 15 hours of free kindergarten per week. On average, a family attending a sessional kindergarten for 15 hours per week that charges $46 per day will save $4,600 a year in fees
- 50 per cent discount on Translink public transport services in South East Queensland for their 3 children.

School-leaver

A low-income casual worker who has just graduated from high school and has a Health Care Card could benefit from a substantial range of concessions in 2023–24, including:

- an interest-free and fee-free bond loan providing average support of $1,600
- $700 Cost of Living Rebate on their electricity bill plus the existing $372 electricity rebate, bringing total support to $1,072
- an average subsidy of $3,270 to undertake their first post-school Certificate III qualification
- an average benefit of $830 for general dental care under the Oral Health Scheme.

Other relevant concessions that individuals could be eligible for include:

- an average subsidy of $10,209 to pre-approved public and private registered training organisations to subsidise the cost of training and assessment for eligible Queensland apprentices and trainees, or complementary pathways through the User Choice program
- an average subsidy of $4,846 to undertake a priority Certificate IV, diploma or advanced diploma qualification or industry endorsed skillset through the VET – Higher Level Skills Tuition Fee Subsidy
- financial assistance for apprentices and trainees to cover the cost of travel incurred in attending off-the-job training at a registered training organisation through the Travel and Accommodation Subsidy
- an average rental rebate of around $12,181 per annum for people living in social housing through the Government Managed Housing Rental Rebate.

Further information on the eligibility requirements and benefits of a range of government concessions can be found by visiting www.QueenslandSavers.qld.gov.au.

Focus

This statement highlights the cost and nature of concessions provided by the Queensland Government. It covers concessions that are direct budget outlays (e.g. fee subsidy payments) and concessions that are revenue foregone through fees and charges set at a lower rate than applies to the wider community and other businesses. In the case of broader concessions, it also includes concessions related to the delivery of services to consumers at less than the full cost of service provision.

Section A.2 sets out the specific concessions provided by the Queensland Government by agency. Section A.3 sets out the concessions provided by government-owned corporations (GOCs) and is separated into concessions by GOC and concessional leases (industry, commercial and community) by GOC. Within each agency or GOC, concessions are listed in descending order of value.

Explanation of scope

For the purposes of this document, concessions include:

- discounts, rebates and subsidies provided by the government that improve access to, and affordability of, a range of services for certain individuals, families or businesses based on eligibility criteria (e.g. relating to factors such as age, income, special needs, location or business characteristic)
- concessions where all consumers, including businesses, of a particular good or service pay a price that is below the full cost of service provision (that is, no eligibility criteria is applied).

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 either the budget year or the year prior.

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 the 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.

A.1 Concessions summary

Table A.1.1 Concession by entity[1]

Concession by entity	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Agency		
Department of Agriculture and Fisheries	18.5	34.3
Department of Child Safety, Seniors and Disability Services	725.0	1,780.5
Department of Education	194.2	286.3
Department of Energy and Public Works	641.8	560.0
Department of Environment and Science	2.0	2.2
Department of Housing	619.6	722.5
Department of Justice and Attorney-General	114.8	118.2
Department of Regional Development, Manufacturing and Water	31.7	40.6
Department of Resources	3.2	3.2
Department of Tourism, Innovation and Sport	2.0	2.1
Department of Transport and Main Roads	3,436.6	3,641.1
Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts	6.6	6.6
Department of Youth Justice, Employment, Small Business and Training	547.5	538.9
Queensland Fire and Emergency Services	11.2	11.7
Queensland Health	302.6	343.4
Total Agency	**6,657.3**	**8,091.6**
Government-owned corporations		
Energy Queensland Limited	22.2	23.8
Far North Queensland Ports Corporation Limited	2.1	2.0
Gladstone Ports Corporation Limited	43.5	39.3
North Queensland Bulk Ports Corporation Limited	1.4	1.4
Port of Townsville Limited	6.5	6.6
Queensland Rail	2.2	2.6
Sunwater Limited	52.5	56.6
Total Government-owned corporations	**130.4**	**132.3**
Total all entities	**6,787.7**	**8,223.9**

Note:
1. Numbers may not add due to rounding.

A.2 Concessions by agency

Table A.2.1 Department of Agriculture and Fisheries

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Primary Industry Productivity Enhancement Scheme (PIPES)[1]	11.9	20.5
Drought Preparedness Grant Scheme	3.0	3.0
Drought Relief Assistance Scheme	2.2	2.6
Drought Carry-on Finance Loan Scheme[1]	..	2.6
Drought Ready and Recovery Finance Loan Scheme[1]	0.3	2.6
Emergency Drought Assistance Loan Scheme[1]	..	1.9
Farm Management Grants Program[2]	1.0	1.0
Stocked Impoundment Permit Scheme	0.1	0.1
Total	**18.5**	**34.3**

Notes:

1. The increase is mainly due to the anticipated increase in loan advances and higher interest rates.
2. The value of this concession includes Queensland Government funding only. The Australian Government also contributes towards the funding for this program.

Primary Industry Productivity Enhancement Scheme (PIPES)

PIPES is administered by the Queensland Rural and Industry Development Authority 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 4.9 per cent. The amounts 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.

Drought Preparedness Grant Scheme

As part of the Drought Assistance and Reform Package, the Drought Preparedness Grant Scheme provides a rebate to eligible primary producers of up to $50,000 for on-farm capital improvements identified in their Farm Business Resilience Plan to improve the drought preparedness of the producer's property.

Drought Relief Assistance Scheme

As part of the Drought Assistance and Reform Package, the Drought Relief Assistance Scheme provides freight subsidies and emergency water infrastructure rebates during drought declarations of up to 50 per cent to eligible applicants, between $20,000 and $50,000 per property, per financial year. Freight subsidies are available for 2 years after drought revocation for the movement of livestock. These concessions are only available to producers that do not access the new drought preparedness measures. Free financial counselling is being provided via the Rural Financial Counselling Service for producers and related small business owners.

Drought Carry-on Finance Loan Scheme

As part of the Drought Assistance and Reform Package, the Drought Carry-on Finance Loan Scheme provides a concessional loan to eligible primary producers of up to $250,000 for carry-on finance during drought. These loans would be available where the $50,000 available from the Emergency Drought Assistance Loan Scheme is insufficient to assist the producer to manage drought conditions.

The concession is calculated on the basis of a commercial reference rate of 6.43 per cent per annum and an average concessional interest rate for new lending of 4.06 per cent per annum. The amount shown in the above table represents the fair values of the interest rate concessions pertaining to loans in the financial year shown.

Drought Ready and Recovery Finance Loan Scheme

As part of the Drought Assistance and Reform Package, the Drought Ready and Recovery Finance Loan Scheme provides a concessional loan of up to $250,000 for eligible primary producers to undertake measures identified in their Farm Business Resilience Plan that will improve the drought preparedness of the producer's property.

The concession is calculated on the basis of a commercial reference rate of 6.43 per cent per annum and an average concessional interest rate for new lending of 4.06 per cent per annum. The amount shown in the above table represents the fair values of the interest rate concessions pertaining to loans in the financial year shown.

Emergency Drought Assistance Loan Scheme

As part of the Drought Assistance and Reform Package, the Emergency Drought Assistance Loan Scheme provides an interest free concessional loan to eligible primary producers of up to $50,000 as emergency finance for carry-on activities like paying wages or creditors during drought. The concession is calculated at a rate of 6.43 per cent per annum on the basis of a commercial reference rate of this amount and no interest being charged on the loan. The amount shown in the above table represents the fair values of the interest rate concessions pertaining to loans in the financial year shown.

Farm Management Grants Program

As part of the Drought Assistance and Reform Package, the Farm Management Grants Program provides a rebate of 50 per cent to a maximum of $2,500 to eligible primary producers for the cost of developing a Farm Business Resilience Plan for their property.

Stocked Impoundment Permit Scheme

The Stocked Impoundment Permit Scheme provides world class, sustainable fishing options in freshwater environments. It helps reduce fishing pressure on wild fish stocks through a requirement to hold a permit to fish in one of the state's 63 impoundments. The scheme provides concessions if you have a Queensland Seniors Card, Pensioner Concession Card, Health Care Card or a Repatriation Health Card (Gold Card) and aims to encourage participation in recreational fishing for seniors and concession card holders. The concession provides a discount of $16.40 on the cost of an annual permit in 2022–23 and will increase to $16.96 per annual permit in 2023–24.

Table A.2.2 Department of Child Safety, Seniors and Disability Services

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Cost of Living Rebate and National Energy Bill Relief[1]	385.0	1,435.0
Electricity Rebate Scheme[2]	243.0	245.9
Pensioner Rate Subsidy Scheme	58.6	59.7
South East Queensland Pensioner Water Subsidy Scheme	20.1	20.5
Home Energy Emergency Assistance Scheme	10.0	10.0
Medical Cooling and Heating Electricity Concession Scheme[3]	2.9	3.4
Electricity Life Support Concession Scheme[3,4]	2.7	3.1
Reticulated Natural Gas Rebate Scheme	2.7	2.9
Total	**725.0**	**1,780.5**

Notes:

1. The variance is due to an increase in the value of the Cost of Living Rebate (COLR) from $175 to $550 for all households, and $700 for all Queensland households that receive an electricity rebate under the Electricity Rebate Scheme. The 2023–24 estimate also includes a $650 rebate for small businesses under the National Energy Bill Relief (NEBR) plan. This measure includes contributions from the Australian Government under the NEBR, with the Queensland Government contributing an estimated $1.1 billion.
2. Electricity rebates have historically been adjusted annually according to the Queensland Competition Authority's (QCA) price determination for general household electricity tariff (Tariff 11). However, given the provision of the COLR for 2023–24, this cohort will be protected from electricity price rises through those programs. Therefore, the value of the Electricity Rebate Scheme will be held at $372.20.
3. The Medical Cooling and Heating Electricity Concession Scheme and Electricity Life Support Concession Scheme are adjusted annually according to the QCA price determination for Tariff 11. For 2023–24, the QCA determined Tariff 11 will increase by 28.7 per cent.
4. The Queensland Government has expanded eligibility for the Electricity Life Support Concession Scheme to include Queenslanders with a home-based life support system acquired through the Australian Government Home Care Package.

Cost of Living Rebate and National Energy Bill Relief

In 2022–23, the Queensland Government allocated $385 million to provide all Queensland households with a Cost of Living Rebate of $175.

In 2023–24, all Queensland households will automatically receive a $550 Cost of Living Rebate on their electricity bill, while around 600,000 vulnerable households will benefit from a higher $700 Cost of Living Rebate.

In addition, vulnerable households will continue to receive the existing $372 rebate under the Queensland Electricity Rebate Scheme, bringing total support for this group to $1,072 in 2023–24 (see below).

The government's substantial cost-of-living relief package will more than offset typical household electricity bill increases in 2023–24. In some cases, households will have zero bills or be in credit in 2023–24.

Including the $550 Cost of Living Rebate in 2023–24, the government will have provided all Queensland households with a total of $1,125 in electricity rebates since 2018.

Eligible small businesses in Queensland will also receive an automatic rebate of $650 on their electricity bill in 2023–24. This includes around 205,000 Queensland small businesses that consume less than 100,000 kilowatt hours per annum.

The Queensland Government's cost-of-living relief package significantly increases and broadens support under the National Energy Bill Relief Plan, jointly funded by the Queensland and Australian Governments.

Electricity Rebate Scheme

The Electricity Rebate Scheme provides a rebate of up to approximately $372 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, Commonwealth Health Care Card, Department of Veterans' Affairs Gold Card (who receive a War Widow/er Pension or special rate Totally or Permanently Incapacitated Pension) and asylum seekers. It is estimated that approximately 600,000 households will receive an electricity rebate in 2023–24.

Pensioner Rate Subsidy Scheme

The Pensioner Rate Subsidy Scheme offers a 20 per cent 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.

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 2-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.

Medical Cooling and Heating Electricity Concession Scheme

The Medical Cooling and Heating Electricity Concession Scheme provides a rebate of up to approximately $479 per annum for eligible concession card holders with a medical condition who have dependence on air conditioning to regulate body temperature.

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 $976 per annum for users of oxygen concentrators and a rebate of up to approximately $653 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.

Reticulated Natural Gas Rebate Scheme

The Reticulated Natural Gas Rebate Scheme provides a rebate of up to approximately $87 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).

Table A.2.3 Department of Education

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Queensland Kindergarten Funding[1]	32.7	115.7
Textbook and Resource Allowance[2]	78.3	83.2
School Transport Assistance for Students with Disability[3]	52.0	53.7
Living Away from Home Allowance Scheme[4]	8.6	10.2
Tuition Fee Exemptions/Waivers – Dependants of International Students[5]	8.0	8.2
Non-State Schools Transport Assistance Scheme[6]	7.6	7.9
Dalby State High School – Bunya Campus Residential Facility	2.6	2.7
Spinifex State College – Mount Isa Student Residential Facility	1.3	1.4
Western Cape College – Weipa Campus Student Residential College	1.3	1.4
Distance Education – Information and Communication Technology Subsidy Scheme	1.1	1.1
Distance Education – Non-Government Student Fee Subsidy[7]	0.7	0.8
Total	**194.2**	**286.3**

Notes:

1. The variance is due to the new Queensland Kindergarten Funding model commencing from 1 January 2023. The 2022–23 current budget relates to the period 1 January 2023 to 30 June 2023. Indexation has also been included in the 2023–24 Estimate. The 2023–24 Estimate also includes an affordability subsidy from January 2024 to be provided for 15 hours per week to make kindergarten free for all 4-year-olds.
2. The increase is due to enrolment growth and CPI indexation.
3. The increase is due to rate increases, additional bus services and operational costs due to enhanced student safety on buses.
4. The increase is due to CPI indexation and an increase in the Remote Area Tuition Allowance.
5. The increase is due to CPI indexation.
6. The increase is due to CPI indexation and increased demand for assistance under the scheme.
7. The variance is due to a higher number of students utilising the service in 2023–24.

Queensland Kindergarten Funding

Queensland Kindergarten Funding provides funding to eligible kindergarten service providers to ensure greater access to a quality kindergarten program for Queensland children and to reduce out-of-pocket fees for many families.

Subsidies paid to eligible kindergarten service providers in 2023 that aim to reduce out-of-pocket costs for families include:

- Sessional Kindergarten Base Subsidy – $1,500 mandated pass through which is provided for each eligible child who is enrolled in an approved kindergarten program
- Affordability Subsidy – provided for each eligible child who meets one or more specified criteria. The two affordability subsidies – Kindy Plus and Kindy Family Tax Benefit (FTB) – are paid to eligible service providers and must be applied to each child's account to reduce a family's out-of-pocket cost for the kindergarten program. For sessional kindergarten, the Kindy Plus subsidy is an average of $3,000 per child, per annum and the Kindy FTB subsidy is $2,044 per child, per annum. For long day care, families may be eligible for a subsidy of between $500 and $1,409 per child, per annum.

These subsidies are funded by both the Queensland Government and the Australian Government under the Preschool Reform Agreement 2022 to 2025.

From 1 January 2024, the Queensland Government will provide an affordability subsidy of 15 hours per week to make kindergarten free for all 4-year-olds. On average, a family attending a sessional kindergarten that charges $46 per day (15 hours per week) will save $4,600 a year in fees.

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 assign 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 2023, the rates per annum are $146 for students in Years 7 to 10 and $317 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 coordinated 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 'Non-State Schools Transport Assistance Scheme').

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 2023 are:

- Remote Area Tuition Allowance – assistance is available for primary students of up to $4,360 per annum (increasing to $8,360 per annum in 2024) and secondary students of up to $6,276 per annum (increasing to $10,276 per annum in 2024) for students who board at approved non-state schools
- Remote Area Allowance – assistance of $2,740 per annum is available to students attending the campus of a Queensland state high school and undertaking an approved agriculture course in lieu of Years 11 and 12
- 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 $164 per annum to a maximum of $2,011 per annum
- 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 $8,916 per student, per annum.

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 estimateed average amount exempted or waived per student is $12,162 in 2023–24.

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 and ferry fare expenses are above the annual Queensland Catholic Education Commission set weekly threshold amount.

In Semester 1 2023, the weekly threshold is $35 per family, or $25 for families with a current Health Care Card, Pensioner Concession Card or Veterans' Affairs Card. From Semester 2 2023, the weekly threshold rates will be adjusted to $25 per family, or $15 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.

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 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.

Western Cape College – Weipa Campus Student Residential College

The Western Cape College – Weipa Campus Student Residential College provides a residential schooling option for students from the Torres Strait and Cape York. This college provides an option that is more familiar for students from remote locations with the intent to increase participation and retention of secondary students in schooling. The concession targets students from the Torres Strait and Cape York seeking secondary education when their home community does not provide secondary schooling.

Distance Education – Information and Communication Technology Subsidy Scheme

The Distance Education Information and Communication Technology Subsidy provides assistance to students enrolled in a school of distance education that are geographically isolated or in the medical category.

The scheme provides $400 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 $1,508 per distance education subject enrolment.

This subsidises approximately 50 per cent 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.

Table A.2.4 Department of Energy and Public Works

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Uniform Tariff Policy – Energy Queensland (Excluding Isolated Systems)[1]	555.3	446.6
Uniform Tariff Policy – Energy Queensland (Isolated Systems)[2]	65.2	90.4
Non-residential Buildings – Subsidised Rents	7.6	7.6
Electricity Tariff Adjustment Scheme[3]	6.1	6.2
Drought Relief from Electricity Charge Scheme[4]	5.0	5.0
Uniform Tariff Policy – Origin Energy[5]	2.6	4.2
Total	**641.8**	**560.0**

Notes:

1. The decrease is driven by the CSO returning to historical normal levels after a one-off regulatory impact on network charges in 2022–23. As regional Queensland electricity prices are based on the cost of supply in South East Queensland, this reduction in the CSO payment does not reflect a reduction of support.
2. The increase is largely driven by changes in diesel fuel costs.
3. This was a new initiative for 2021–22 targeted at regional businesses facing significant bill impacts due to the phase out of obsolete electricity tariffs. The scheme is designed to help customers transition over a 9-year period with rebate amounts fixed at the start of the program and reducing each year. The cost of the scheme will decrease each year as payments and the number of participants reduce. The slight increase is due to an adjustment made in 2022–23 for overpayments in the previous year.
4. Expenditure is dependent on the extent of drought conditions, the number of registered eligible parties in drought declared areas and the number of customers seeking a rebate for the fixed charges of their electricity accounts. Due to improving seasonal conditions it is anticipated that expenditure will be lower than previous financial years.
5. The increase is due to regulated tariffs in regional Queensland increasing relative to prices in regional New South Wales.

Uniform Tariff Policy – Energy Queensland (Excluding Isolated Systems)

The Uniform Tariff Policy ensures that, where possible, all Queensland non-market electricity customers of a similar type pay a similar price for electricity regardless of where they are located. As the notified prices do not reflect the full cost of electricity supply for most regional and remote Queenslanders, a subsidy is provided through a community service obligation (CSO) payment.

The CSO payment is provided to the regional retailer, Ergon Energy, through Energy Queensland, and 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).

Uniform Tariff Policy – Energy Queensland (Isolated Systems)

The Uniform Tariff Policy ensures that, where possible, all Queensland non-market electricity customers of a similar type pay a similar price for electricity regardless of where they are located. As the notified prices do not reflect the full cost of electricity supply for most regional and remote Queenslanders, a subsidy is provided through a CSO payment.

Energy Queensland, through the regional retailer Ergon Energy, owns and operates 33 isolated power systems which supply electricity in remote and isolated communities, and provides retail electricity services to customers in those communities at notified electricity prices. This CSO payment is provided to Ergon Energy, through Energy Queensland, and covers the difference between the revenue earned by charging customers notified prices and the actual cost of operating the isolated power systems.

Non-residential Buildings – Subsidised Rents

Accommodation is provided to 35 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 39,934 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.

Electricity Tariff Adjustment Scheme

The Electricity Tariff Adjustment Scheme provides targeted support to regional businesses materially impacted by the phase-out of obsolete electricity tariffs from 30 June 2021. This initiative provides eligible customers with individually tailored transitional rebates to help offset the removal of obsolete tariffs and incentivise a pathway to self-sufficiency over time. Eligible businesses will receive a subsidy payment for up to 9 years.

Drought Relief from Electricity Charge Scheme

Drought Relief from Electricity Charges Scheme provides farmers and irrigators with relief 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.

Uniform Tariff Policy – Origin Energy

The Uniform Tariff Policy ensures that, where possible, all Queensland non-market electricity customers of a similar type pay a similar price for electricity regardless of where they are located. As the notified prices do not reflect the full cost of electricity supply for most regional and remote Queenslanders, a subsidy is provided through a CSO payment.

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 Essential Energy distribution network. The government provides a subsidy to these customers, via a CSO payment to Origin Energy, to ensure they pay a similar price for electricity as other Queenslanders. Therefore, the CSO amount depends on the relative difference between Queensland and New South Wales retail electricity tariffs for non-market customers.

Table A.2.5 Department of Environment and Science

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Queensland Parks and Wildlife Service – Tour Fee and Access Permits[1]	2.0	2.2
Total	**2.0**	**2.2**

Note:

1. Variance is primarily due to anticipated increase in visitation to national parks and visitor centres including the David Fleay Wildlife Park and Mon Repos Turtle Centre.

Queensland Parks and Wildlife Service – Tour Fee and Access Permits

Visitor admission and ranger guided tour fees concessions of 10 to 100 per cent are available at several attractions and visitor centres for eligible persons including children, pensioners, concession card holders and groups undertaking visits for educational purposes.

Vehicle access permit concessions of up to 100 per cent are available in the Cooloola Recreation Area, Bribie, Moreton (Mulgumpin) and K'gari for approved applicants including First Nations peoples and local residents required to traverse the protected area estate.

Camping concessions of 45 to 100 per cent are available in all national park and state forest camping areas for educational purposes and children under 5 years of age.

In 2023–24, approximately 225,000 persons are expected to access the range of concessions available through the Department of Environment and Science.

Table A.2.6 Department of Housing

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Government Managed Housing Rental Rebate[1]	570.6	670.5
Home Assist Secure[2]	23.0	26.4
National Rental Affordability Scheme[3]	20.3	12.8
Helping Seniors Secure Their Homes[4]	4.0	11.0
Rental Bond Loans	1.7	1.8
Non-government Managed Housing[5]	..	..
Total	**619.6**	**722.5**

Notes:

1. The increase is due to an increase in private market rents based on prevailing conditions.
2. The variance is based on the anticipated year-on-year demand for services paid under this scheme.
3. The variance is primarily due to a decrease in the number of incentives paid as the scheme winds down. The cessation of the scheme was a decision of the Australian Government.
4. New item for 2023–24. This program was announced in April 2023. The expenditure profile across 2022–23 and 2023–24 is based on the anticipated expenditure informed by the timing of program implementation and delivery being trialled in Cairns, Mount Isa and Townsville local government areas. The trial will be expanded to include the Toowoomba local government area and the greater Cairns region. The government is providing up to an additional $15 million in 2023–24, centrally held if needed to expand the program in other locations. This will bring the total funding available for this program up to $30 million over 2 years.
5. 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 the government based on household income.

Assistance is provided to approximately 55,000 households. The estimated average yearly subsidy per household for 2023–24 is $12,181.

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, homeowners 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. Clients can also get a one-off subsidy of $80 for the cost of materials for security related work (Security Hardware Subsidy).

Home Assist Secure targets homeowners and those in rental housing who are over 60 years of age or have disability, and who require assistance to remain living in their home. In 2023–24, it is estimated that over 40,000 households will be assisted.

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 per cent 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 easily quantified. In 2023–24, the government has allocated $12.8 million for the payment of financial incentives to NRAS investors who are then required to discount rents to tenants.

Helping Seniors Secure Their Homes

Helping Seniors Secure Their Homes provides assistance to eligible homeowners aged 60 years and over who are Pensioner Concession Card holders to subsidise the cost of improving the safety and security features of their homes, allowing them to remain safe and secure in their homes. The program provides financial assistance of up to $10,000 per household to allow them to implement a range of security measures to increase home security, including door and window locks, security screening on doors and windows, security lighting and sensor lights, alarm systems and CCTV cameras.

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 2 products:

- Bond Loans: equivalent to a maximum amount of 4 weeks rent
- Bond Loan Plus: equivalent to a maximum amount of 6 weeks rent.

The interest-free bond loan targets low-income households and can stabilise tenancies, preventing 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 2023–24, $20.8 million in Bond Loans and Bond Loan Plus may be advanced to an estimated 13,000 clients, averaging $1,600 in support per client.

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 increasing housing affordability and access to social housing.

Due to the nature of the arrangement, particularly varying rents charged by providers based on individual circumstances of each household, 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 per cent of a household's 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 in the cost of their accommodation.

Assistance is expected to be provided to approximately 16,500 households to access non-government managed housing in 2023–24.

Table A.2.7 Department of Justice and Attorney-General

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Public Trustee of Queensland – Concessions	42.1	43.3
Court Services – Civil Court	29.6	30.5
Queensland Civil and Administrative Tribunal	27.3	26.4
Blue Card – Volunteer Applicants	11.9	12.5
Body Corporate and Community Management – Dispute Resolution	3.4	4.9
Liquor Gaming and Fair Trading – Rural Hotel Concessions	0.4	0.4
Registry of Births, Deaths and Marriages – Fee Waivers	0.1	0.2
Total	**114.8**	**118.2**

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 customers which provides for a rebate of fees for some customers with limited assets. The rebate is applied to customers such as financial administration customers with impaired capacity, or estate administration customers 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 2 or more parties (people or organisations) where one party sues the other, usually to obtain compensation, or seeks 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.

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 record and relevant disciplinary information, and if approved, are issued with a blue card. A blue card is valid for 3 years unless cancelled or suspended earlier.

The Queensland Government has met the cost of blue card assessment for volunteer applicants since the inception of the blue card system in 2001. This is to ensure children can continue to receive services and participate in activities which are essential to their development and well-being, in a safe and supportive environment.

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.

Liquor Gaming and Fair Trading – 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.

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. Aboriginal peoples and Torres Strait Islander peoples, people who are homeless, domestic and family violence victims, etc.) and those impacted by major emergencies (e.g. natural disasters such as cyclones and bushfires).

Table A.2.8 Department of Regional Development, Manufacturing and Water

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Sunwater Rural Irrigation Water Price Subsidy	19.5	19.5
Horticulture Rural Irrigation Water Price Rebate Scheme administered by the Queensland Rural and Industry Development Authority[1]	2.0	9.9
Cloncurry Pipeline Water Supply Subsidy[2]	6.6	7.0
Seqwater Rural Irrigation Water Price Subsidy[3]	2.3	2.4
Disaster Relief Arrangements – Annual Water Licence Fee Waiver	1.0	0.9
Drought Relief Arrangements – Water Licence Fee Waiver	0.3	0.9
Total	**31.7**	**40.6**

Notes:

1. The increase is due to an expected increase in the number of applications.
2. The increase is due to indexation and increased insurance costs.
3. The variance is due to prices paid by rural irrigation customers which gradually transition towards cost recovery.

Sunwater Rural Irrigation Water Price Subsidy

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 and to ensure that irrigation prices gradually transition towards cost recovery.

Funding is also provided to continue a 15 per cent discount on Sunwater irrigation prices for a 4-year period ending 2024–25.

Horticulture Rural Irrigation Water Price Rebate Scheme administered by the Queensland Rural and Industry Development Authority

Payments to Queensland Rural and Industry Development Authority (QRIDA) to deliver an additional 35 per cent rebate on Sunwater and Seqwater irrigation water prices related to horticulture production for a 3-year period ending 2023–24, bringing the total irrigation discount provided to 50 per cent for approved applicants.

Cloncurry Pipeline Water Supply Subsidy

North West Queensland Water Pipeline Limited (NWQWP), a Sunwater Limited (Sunwater) subsidiary, owns and operates the Cloncurry Pipeline between the Ernest Henry Mine and Cloncurry. The pipeline guarantees Cloncurry Shire Council's water supply and supports industrial development in the region. The Queensland Government provides funding to NWQWP to ensure the pipeline remains commercially viable to operate while providing an affordable and safe water supply to Cloncurry.

Seqwater Rural Irrigation Water Price Subsidy

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 and to ensure that irrigation prices gradually transition towards cost recovery.

Funding is also provided to continue a 15 per cent discount on Seqwater irrigation prices for a 4-year period ending 2024–25.

Disaster Relief Arrangements – Annual Water License Fee Waiver

Fees associated with annual water licences ($92.01) will be waived for 2023–24 for disaster declared areas. The waiver is available to landholders in Local Government Areas where Category B of the Disaster Recovery Funding Arrangements for Disaster Assistance (Primary Producer) Loans or Disaster Assistance (Essential Working Capital) Loans Scheme for Small Business is activated. In 2023–24, it is estimated 9,000 waivers will be issued to landholders.

Drought Relief Arrangements – Water Licence Fee Waiver

As part of the Drought Assistance Reform Package, fees associated with an annual water licence invoice ($92.01) and applications for stock or domestic water licences ($146.17) will be waived for 2023–24. It is estimated that 6,000 waivers will be issued to landholders.

The waiver is available to primary producers in drought declared areas and those who have an individually droughted property (IDP).

Table A.2.9 Department of Resources

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Land Rental Rebates	3.2	3.2
Total	**3.2**	**3.2**

Land Rental Rebates

As part of the Drought Assistance and Reform Package, Category 11 Grazing and Primary Production landholders under the *Land Act 1994* are eligible for a rental rebate. The rebate is available to lessees, other than those on minimum rent, that are in a drought declared local government area and to individually drought declared properties. In addition to this rebate, drought declared landholders will be granted a hardship deferral for required rent payments.

Table A.2.10 Department of Tourism, Innovation and Sport

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Sport and Recreation Venues – Concessional Usage Rates	2.0	2.1
Total	**2.0**	**2.1**

Sport and Recreation Venues – Concessional Usage Rates

Concessional usage rates of 20 per cent 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 Sport and Recreation owned and operated venues, including Queensland Recreation Precincts at Currimundi and Tallebudgera.

Table A.2.11 Department of Transport and Main Roads

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
General Public Transport Concessions (South East Queensland)[1]	1,800.4	1,874.2
Rail Network and Infrastructure Funding[2]	776.7	867.3
General Public Transport Concessions (Regional Queensland)	314.0	334.4
Vehicle and Boat Registration Concessions	198.3	206.8
School Transport Assistance Scheme	153.9	165.1
TransLink Transport Concessions (South East Queensland)	77.7	96.1
Livestock and Regional Freight Contracts	35.4	36.1
Rail Concession Scheme	27.1	27.8
Other Transport Concessions (Regional Queensland) and Taxi Subsidies	24.2	24.4
Practical Driving Test	4.5	4.5
Designated Public Transport Concessions for Seniors Card Holders	4.2	4.3
COVID-19 Relief Measures – Transport Services[3]	0.2	0.1
Mount Isa Line Incentive Scheme	20.0	..
Total	**3,436.6**	**3,641.1**

Note:

1. The increase is due to significant investment in the South East Queensland rail network to make it reliable both in the near term and in the future when the expanded network is live.
2. The increase is due to a change in the investment timeline for significant network improvement infrastructure projects.
3. This item is part of the government response to COVID-19.

General Public Transport Concessions (South East Queensland)

The General Public Transport Concessions (South East Queensland) represents the direct funding contribution that the 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, increasing 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:

- subsidies for regional bus and ferry operators (excluding concessional top up amounts and School Transport Assistance Scheme related amounts)
- subsidies for air services to remote and rural communities within the state
- subsidies for Kuranda Scenic Railway
- TravelTrain (excluding the 'Rail Concession Scheme' for eligible pensioners, veterans and seniors)
- subsidies for long distance coach services to rural and remote communities within the state
- subsidies for Heritage Rail Services
- subsidies for the Rail XPT Service (Sydney-Brisbane) and Savannahlander (Atherton Tableland).

Vehicle and Boat Registration Concessions

Vehicle registration concessions for light and heavy motor vehicles and recreational boats are provided to a wide variety of individuals and organisations, 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, primary producers and charitable organisations. As at 31 March 2023, the Queensland Government is providing vehicle registration concessions on approximately 686,850 vehicles, totalling $206.8 million.

Person based concessions, such as those aimed at improving access to travel for pensioners, seniors and people with disability, provide a reduced rate of registration fees. For most eligible card holders, a concession for a 4-cylinder vehicle would reduce the 12-month registration fee by 50 per cent from $360.60 to $180.30. For a recreational boat up to and including 4.5 metres in length, the concession reduces the registration fee by 50 per cent from $97.35 to $48.70. As at 31 March 2023, these concessions apply to approximately 573,760 vehicles and 20,590 vessels.

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 SIV concession would reduce the 12-month registration fee for a 6-cylinder SIV over 80 per cent from $570.95 to $101.60. As at 31 March 2023, this concession applies to approximately 40,801 vehicles.

A registration concession is also available for prescribed heavy vehicles that are solely used for the purpose of carrying on the business of a primary producer. A primary production business consists mainly of the production of raw materials for clothing or food (derived from agriculture, dairying, fishing, raising of livestock or viticulture). Eligible primary producers receive registration concessions for prescribed heavy vehicles, reducing their registration fees by 50 to 75 per cent. For example, a primary producer's 12-month registration fee for a 2-axle truck with a Gross Vehicle Mass over 12 tonne reduces from $1,068.00 to $534.00. As at 31 March 2023, this concession applies to approximately 30,583 heavy vehicles.

Other motor vehicle registration concessions are also provided to local governments, charitable and community service organisations, and people living in remote areas. Vessel registration concessions may be provided to accredited surf lifesaving clubs and schools.

School Transport Assistance Scheme

The School Transport Assistance Scheme (STAS) 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 (e.g. from Bargara to Bundaberg High School). In 2023–24, approximately 130,000 students will be STAS eligible.

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, JobSeeker and Youth Allowance recipients, asylum seekers and White Card holders. Under current fare arrangements, approved concession groups receive at least a 50 per cent discount when compared to the same applicable adult fare.

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 4 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, JobSeeker and Youth Allowance 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 per cent concession fare up to a maximum subsidy of $30 per trip.

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 ($64.95 (including GST) as at 1 July 2023), 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. Under current fare arrangements, this enables eligible interstate visitors to receive at least a 50 per cent discount when compared to the same applicable adult fare.

COVID-19 Relief Measures – Transport Services

Transport services COVID-19 relief measures provided by the government include financial assistance for the personalised transport industry.

Mount Isa Line Incentive Scheme

Under the Mount Isa Line Incentive Scheme, the Queensland Government provided $20 million per annum for 4 years between 2019–20 and 2022–23 to reduce below rail access costs for eligible freight users. The scheme ended in 2022–23.

Table A.2.12 Department of Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Queensland Museum – Arts Concessional Entry Fees	2.6	2.8
Queensland Performing Arts Trust – Arts Concessional Entry Fees[1]	1.6	1.2
Arts Queensland – Discount on Property Lease Rentals	0.8	0.8
Queensland Performing Arts Trust – Venue Hire Rebates	0.5	0.6
Queensland Art Gallery – Arts Concessional Entry Fees	0.4	0.5
Arts Queensland – Venue Hire Rebates	0.4	0.4
State Library of Queensland – Venue Hire Rebates	0.3	0.3
Total	**6.6**	**6.6**

Note:

1. The variance is primarily due to two major shows produced by QPAC in 2022–23, with no similar major shows expected in 2023–24.

Queensland Museum – Arts Concessional Entry Fee

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 & 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.

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.

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, Festival House, and Bulmba-ja Arts Centre. 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 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.

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 entry fees concession is to contribute to the cultural, social, and intellectual development of Queenslanders, and encourage diverse audiences.

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 Bulmba-ja Arts Centre.

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.

Table A.2.13 Department of Youth Justice, Employment, Small Business and Training

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
User Choice – Apprentice and Trainee Training Subsidy[1]	251.1	252.0
Vocation Education and Training (VET) – Certificate 3 Guarantee Tuition Fee Subsidy[1]	228.4	218.9
VET – Higher Level Skills Tuition Fee Subsidy	65.0	65.0
Travel and Accommodation Subsidy	3.0	3.0
Total	**547.5**	**538.9**

Note:

1. The variance is due to the demand driven nature of the programs.

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 $1,240 to $50,720, depending on student eligibility and qualification subsidised. The average subsidy value is $10,209.

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 VET qualifications (primarily Certificate III qualifications).

The value of this subsidy for each qualification ranges from $496 to $6,990, depending on student eligibility and qualification subsidised. The average subsidy value is $3,270.

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 VET qualifications at Certificate IV or above.

The value of this subsidy for each qualification ranges from $1,235 to $12,830, depending on student eligibility and qualification subsidised. The average subsidy value is $4,846.

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
- a return economy air ticket to the location of the registered training organisation for distances of 1,100km or more if necessary
- cost of ferry travel if necessary
- accommodation assistance of $40 per day for overnight stay within Queensland and $76 for interstate travellers, if it is necessary to live away from their usual place of residence to attend training.

Table A.2.14 Queensland Fire and Emergency Services

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Emergency Management Levy Concession	11.2	11.7
Total	**11.2**	**11.7**

Emergency Management Levy Concession

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 as well as fire and accidents. A 20 per cent 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). In 2023–24, 282,000 property owners are estimated to receive the concession.

Table A.2.15 Queensland Health

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Oral Health Scheme[1]	173.5	185.9
Patient Travel Subsidy Scheme[2]	89.6	113.8
Medical Aids Subsidy Scheme[3]	28.7	31.8
Spectacle Supply Scheme[4]	9.0	10.1
Hospital Car Parking Concession Scheme[5]	1.8	1.8
Total	**302.6**	**343.4**

Notes:

1. The increase is primarily due to an escalation in state funding for the Oral Health Scheme. Australian Government funding available under the Federation Funding Agreement on Public Dental Services for Adults was extended in the 2023–24 Federal Budget and will be the same as recent years.
2. The increase in Patient Travel Subsidy Scheme (PTSS) expenditure is due to increased PTSS claims, driven by increased demand projections and increased concession rate subsidies.
3. The 2022–23 estimated actual of $28.7 million is lower than the 2022–23 estimate by $0.8 million due to continued, although reduced, impacts of COVID-19. 2023–24 estimate represents a return to normal operations utilising the full year MASS budget.
4. 2023–24 estimate represents a return to normal operations utilising the full year Spectacle Supply Scheme budget.
5. Actual expenditure varies slightly from year to year in response to demand by eligible patients, the value of parking tickets, and the level of subsidy provided, at each site.

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 $830 for general care, $2,200 for treatment involving dentures, and $290 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 per cent to 20 per cent 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 (less GST). Commencing from 2023–24, the mileage subsidy will be increased from 30 cents to 34 cents per kilometre where patients travel by private car. Accommodation subsidies will also be increased in 2023–24 from $60 per person, per night, to $70 per person, per night, for the patient and approved escort if they stay in commercial accommodation. Should the patient or escort stay with family or friends, a subsidy of $10 per person per night remains.

In 2023–24, the government has also provided funding in relation to repatriation costs for deceased patients under the PTSS scheme to their place of residence.

Medical Aids Subsidy Scheme

The Medical Aids Subsidy Scheme 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. Actual expenditure for 2022–23 reflects the continued and changing impacts of COVID-19 and implementation of the National Disability Insurance Scheme since 2020–21.

Based on demand in 2022–23, and current applications, the scheme is estimated to provide 57,000 occasions of service to approximately 48,400 clients in 2022–23. The scheme is estimated to provide approximately 60,000 occasions of service to approximately 45,000 clients in 2023–24.

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). With eligibility on a 2-year basis, demand can fluctuate across financial years. During 2022–23, it is estimated that SSS will provide approximately 76,000 items to 57,600 clients. The average cost of services provided to applicants during 2022–23, is approximately $118 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 15 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 50 to 60 per cent of the commercial cost of parking, with 60 per cent average discount realised across all sites in 2022–23.

A.3 Concessions by Government-owned corporation

Table A.3.1 Energy Queensland Limited

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Regulated Service Charges – Ergon Energy	11.4	12.2
Regulated Service Charges – Energex	10.8	11.6
Total	**22.2**	**23.8**

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, for example 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.

Regulated Service Charges – Energex

Under Schedule 8 of the *Electricity Regulation 2006*, 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.

Table A.3.2 Far North Queensland Ports Corporation Limited

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Covid-19 Relief	0.1	..
Total	**0.1**	**..**

COVID-19 Relief

In response to COVID-19, Far North Queensland Ports Corporation Ltd provided relief measures including temporary reductions to commercial leases and other measures. The scheme ended in 2022–23.

Table A.3.3 Gladstone Ports Corporation Limited

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Concessional Port Charges	40.5	36.0
Total	**40.5**	**36.0**

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.3.4 Sunwater Limited

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Water Supply Contracts	52.5	56.6
Total	**52.5**	**56.6**

Water Supply Contracts

Sunwater 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.3.5 Concessional Leases by Entity (Industry, Commercial and Community)

Concession	2022–23 Est. Act. $ million	2023–24 Estimate $ million
Port of Townsville Limited	6.5	6.6
Gladstone Ports Corporation Limited	3.0	3.3
Queensland Rail Limited	2.2	2.6
Far North Queensland Ports Corporation Limited	2.0	2.0
North Queensland Bulk Ports Corporation Limited	1.4	1.4
Total	**15.1**	**15.9**

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.

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 forgone as a result of Queensland 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 COVID-19 pandemic on Queensland businesses was 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 3 categories:

- direct refunds, holidays, rebates or waivers of tax liabilities – refunds, holidays and waivers of payroll tax liabilities; and a 25 per cent rebate 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 – eligible JobKeeper payments were exempted from payroll tax.

The impact of these measures resulted in a significant increase in forgone revenue, most notably in 2019–20 and 2020–21, although some measures continued to impact in 2021–22.

Methodology

Revenue forgone approach

The method used almost exclusively by governments to quantify the value of their tax expenditures is the revenue forgone approach. This method estimates the revenue forgone 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 forgone 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 what features of a tax constitute a tax expenditure, as well as the relevant 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 forgone 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 2021–22 and 2022–23 for payroll tax, the mental health levy, land tax, duties, the waste disposal levy and gambling taxes. A summary of the major tax expenditures valued on the basis of revenue forgone 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.18 Tax expenditure summary[1]

	2021–22[2] $ million	2022–23 $ million
Payroll tax		
Exemption threshold	1,060	1,093
Graduated tax scale	28	31
Deduction scheme	497	545
Regional discount	97	108
COVID-19 relief[3]	4	
Section 14 exemptions	858	884
Local government	178	184
Education	222	229
Hospitals (excluding public hospitals)	67	69
Charities	391	403
Apprentice and trainee exemption	86	106
Apprentice and trainee rebate	37	45
General practitioner payroll tax amnesty[4]	100	100
Total payroll tax	**2,767**	**2,912**
Mental health levy[5]		
Graduated scale		86
Total mental health levy		**86**
Land tax		
Liability threshold[6]	846	891
Graduated land tax scale	1,543	1,840
Principal place of residence exemption	343	410
Primary production exemption	175	197
Part 6 Divisions 2 and 3 exemptions not included elsewhere[7]	161	169
Land developers' concession	7	6
COVID-19 relief[3]	1	
Total land tax	**3,076**	**3,513**
Duties		
Transfer duty		
Home concession[8]	608	500
First home concession[8]	250	181
First home vacant land[8]	24	14
AFAD exemption/ex gratia	10	12

Insurance duty		
WorkCover	79	93
Health insurance	523	549
Compulsory third party (CTP)[9]	87	89
Total duties	**1,581**	**1,438**
Queensland waste levy		
Exempt waste – general	97	92
Approved exemptions	94	94
Approved discounts	8	10
Total waste levy	**199**	**196**
Taxes on gambling		
Gaming machine taxes	125	135
Casino taxes	11	11
Total gambling tax	**136**	**146**
Total	**7,759**	**8,291**

Notes:

1. Numbers may not add due to rounding.
2. 2021–22 estimates may have been revised since the 2022–23 Queensland Budget.
3. A 'cashflow benefit' was provided through deferrals related to COVID-19 support initiatives, with some of this benefit flowing through to 2021–22. In relation to the deferrals, the estimated expense reflects the implied foregone interest on the deferred payments.
4. Estimates reflect the amnesty period covering the five years prior to 30 June 2025 (i.e. including 2021–22 and 2022–23).
5. 2022–23 estimates reflect implementation from 1 January 2023 (i.e. half a financial year).
6. Land tax is payable only on the value of taxable land above a threshold, depending on ownership structure.
7. Applicable, but not limited to; religious bodies, public benevolent institutions, and other exempt charitable institutions.
8. The reduction in estimated tax expenditures in 2022–23 reflects the reduced level of housing market activity, including by eligible first home buyers, in 2022–23 relative to the elevated levels observed in 2021–22.
9. CTP duty is levied at a rate of 10 cents per policy.

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*.

Payroll tax exemption threshold

From 1 July 2019, employers who employ in Queensland with an annual Australian payroll of $1.3 million or less are exempt from payroll tax. On the basis of November 2022 average weekly adult total earnings, the threshold corresponded to businesses with payrolls equivalent to employing approximately 14 full-time equivalent employees. This exemption is designed to assist small and medium sized businesses.

Graduated payroll tax scale

Queensland employers with Australian payrolls between $1.3 million and $6.5 million are liable for payroll tax at a rate of 4.75 per cent, and those with payrolls above $6.5 million are liable at a rate of 4.95 per cent. The benchmark tax rate for payroll tax is assumed to be 4.95 per cent.

Deduction scheme

Until 1 January 2023, Queensland employers with Australian payrolls between $1.3 million and $6.5 million benefit from a deduction of $1.3 million, which reduces by $1 for every $4 by which the annual payroll exceeds $1.3 million, with no deduction for employers or groups that have annual payroll in excess of $6.5 million.

From 1 January 2023, the deduction applies to payrolls between $1.3 million and $10.4 million, reducing by $1 in every $7 by which the annual payroll exceeds $1.3 million. No deduction is available for employers or groups that have annual payroll in excess of $10.4 million.

Regional discount

Employers who are based in regional Queensland and pay over 85 per cent 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 per cent for employers who pay $6.5 million or less in Australian taxable wages, or 3.95 per cent for employers who pay more than $6.5 million in Australian taxable wages.

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, most notably in 2019–20 and 2020–21, with a small impact in 2021–22. The specific support measures that impacted revenues in 2021–22 are the implied foregone interest on:

- the deferral of payroll tax liabilities from the 2020 calendar year over four payments ending in January 2022
- a six-month deferral of July or August 2021 payroll tax payments for tourism and hospitality businesses.

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 charities for employees working in hospitals, non-tertiary private educational institutions and for other qualifying exempt purposes, and for local governments (excluding commercial activities).

Apprentice and trainee exemptions

Most apprentice and trainee wages are exempt from payroll tax. To be eligible the employee must sign a training contract with their employer to undertake an apprenticeship or traineeship declared under the *Further Education and Training Act 2014*.

Apprentice and trainee rebate

In addition to being exempt wages for payroll tax, a rebate can be claimed that reduces the overall payroll tax liability of an employer. The rebate is calculated by multiplying 50 per cent of the apprentice and trainee wages by the applicable payroll tax rate for each return period.

General practitioner payroll tax amnesty

An amnesty is being provided to qualifying medical practices, otherwise liable to pay payroll tax on payments made to contracted general practitioners (GPs), up to 30 June 2025 and for the previous 5 years (i.e. 2018-25). The amnesty recognises a potential lack of awareness of the payroll tax treatment of contractors among GPs and the need to support these practices to come into compliance with the least disruption possible.

Mental health levy

The benchmark tax base for the mental health levy is assumed to be taxable wages, salaries and supplements (including employer superannuation contributions) paid in Queensland, as defined in the *Payroll Tax Act 1971* that are paid by employers or groups of employers with Australian taxable wages of at least $10 million (on an annual basis).

A number of organisations are provided with exemptions from the mental health levy under Section 14 of the *Payroll Tax Act 1971.* Further, most apprentice and trainee wages are exempt from the mental health levy. The revenue foregone as a result of these exemptions cannot be quantified at this time.

Graduated scale

Queensland employers with Australian payrolls between $10 million and $100 million are liable for a primary rate of 0.25 per cent, and those with payrolls above $100 million are liable for the primary rate of 0.25 per cent plus an additional rate of 0.5 per cent. The benchmark rate for the mental health levy is assumed to be 0.75 per cent.

For the 2022–23 financial year, the thresholds are adjusted to accommodate the levy commencing during the financial year. For wages paid or payable for the period 1 January to 30 June 2023, Queensland employers with Australian payrolls between $5 million and $50 million are liable for a primary rate of 0.25 per cent, and those with payrolls above $50 million are liable for the primary rate of 0.25 per cent plus an additional rate of 0.5 per cent.

Land tax

The benchmark tax base is assumed to be all freehold land within Queensland. As outlined below for each specific tax expenditure, the appropriate benchmark tax rate for land tax is either the top rate of land tax applicable in Queensland (excluding surcharges) in each financial year, or the effective rate under the graduated scale of land tax rates for revenue foregone.

Liability threshold

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.

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. The benchmark rates used for estimating the tax expenditures were the highest rates applicable for different types of owner, 2.25 per cent for individuals, 2.5 per cent for absentees and 2.75 per cent for companies and trustees.

Principal place of residence exemption

Land owned by resident individuals as their principal place of residence is excluded from the estimate of taxable land value in calculating land tax. The benchmark rates used for estimating the tax expenditures were the effective rate under the graduated scale of land tax rates.

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. The benchmark rates used for estimating the tax expenditures were the effective rate under the graduated scale of land tax rates.

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 per cent 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 measures were implemented with most of the impact in earlier financial years. The foregone revenue in 2021–22 reflects the interest cost associated with the 3-month deferral of 2020–21 land tax liabilities.

Duties

Home concession

A concessional rate of duty applies to purchases of a principal place of residence. A one per cent concessional rate applies on dutiable values up to $350,000, rather than the normal schedule of rates between 1.5 per cent and 3.5 per cent. 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, phasing out at $550,000.

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.

Additional foreign acquirer duty exemption

An Australian-based foreign corporation or trust whose commercial activities involve significant development by adding to the supply of housing stock in Queensland, where such development is primarily residential, may be eligible for ex-gratia relief from the additional 7 per cent additional foreign acquirer duty.

Insurance duty

The benchmark tax base is assumed to be all premiums for general insurance policies (not for life insurance). The benchmark tax rate is 9 per cent.

Queensland Waste Levy

The Queensland waste levy is payable by landfill operators on waste disposed to landfill, except waste generated and disposed in the non-levy zone. In 2022–23, the levy rate was $95 per tonne in the metropolitan levy area and $88 per tonne in the regional levy area (higher for regulated wastes).

General levy exemptions exist for particular wastes, such as those from declared disasters and severe local weather events. Also, levy exemptions are available on application for other particular wastes, such as waste from charitable recycling organisations and community clean-up events.

Levy discounts of 50 per cent 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 per cent of gross revenue applies for standard transactions in the Brisbane and Gold Coast casinos. A concessional tax rate of 10 per cent applies for gross revenue from standard transactions in the Cairns and Townsville casinos. The tax rate applicable to gaming machines in casinos is 30 per cent of gross revenue in the Brisbane and Gold Coast casinos, and 20 per cent in the Cairns and Townsville casinos.

In addition, concessional rates of 10 per cent also apply for revenue from high rollers table game play in all casinos. A GST credit is provided to casinos that approximates a reduction in the above tax rates of 9.09 per cent.

Appendix C: Revenue and expense assumptions and sensitivity analysis

The 2023–24 Queensland Budget, similar to all other jurisdictions, is based in part on assumptions made about parameters, both internal and external to Queensland, which can impact directly on economic and fiscal forecasts. The sensitivity of revenue and expense forecasts to movements in underlying assumptions is particularly relevant given the uncertainty in global and national economic conditions in the context of recent global and domestic developments that have impacted key revenues.

The forward estimates in the 2023–24 Queensland 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 shows the main components of taxation and royalty revenue, and the forecast revenues for each component across the forward estimates.

Table C.19 Taxation and royalty revenue[1]

	2021–22 Actual $ million	2022–23 Est. Act. $ million	2023–24 Budget $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
Payroll tax and mental health levy	5,001	5,874	6,524	6,913	7,315	7,738
Transfer duty	6,336	5,209	5,385	5,607	5,877	6,166
Other duties	1,963	2,213	2,255	2,350	2,450	2,554
Gambling taxes and levies	1,645	1,927	2,015	2,096	2,182	2,271
Land tax	1,633	1,777	2,031	2,280	2,416	2,471
Motor vehicle registration	2,103	2,186	2,301	2,398	2,499	2,589
Other taxes	1,330	1,378	1,426	1,481	1,546	1,597
Total tax revenue	**20,011**	**20,563**	**21,938**	**23,125**	**24,285**	**25,387**
Royalties						
Coal	7,243	15,296	5,345	4,024	4,224	4,400
Petroleum[2]	1,184	2,332	1,275	1,222	1,143	1,039
Other royalties[3]	490	477	503	483	460	440
Total royalties	**8,917**	**18,105**	**7,123**	**5,730**	**5,827**	**5,878**
Land rents	171	183	195	200	204	209
Total royalties and land rents	**9,088**	**18,288**	**7,318**	**5,929**	**6,032**	**6,087**

Notes:

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

The remainder of this chapter outlines the key assumptions, estimates and risks associated with key revenue and expenditure forecasts.

Taxation revenue assumptions and revenue risks

The rate of growth in tax revenues is dependent on a range of factors 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 or wages.

Therefore, any change in the level of economic activity compared with that reflected in the economic forecasts outlined in this paper, would impact 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. In 2023–24, wages in Queensland are forecast to increase by 4 per cent, while employment is forecast to rise 1 per cent in 2023–24.

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 total payroll tax collections by approximately $65 million in 2023–24.

Transfer duty estimates

Transfer duty collections in 2023–24 are expected to grow modestly by 3.4 per cent compared with 2022–23 as housing market activity begins to stabilise. However, in the context of recent and future increases in interest rates, there are uncertainties as to the size and timing of impacts on housing markets.

After declining in 2022–23, house prices are expected to return to modest growth across 2023–24 and 2024–25, and transaction volumes are also expected to return to be more in line with pre-2020–21 levels. The combination of these factors, along with ongoing recovery in the non-residential sector, is supporting an expected average annual growth of 4.6 per cent in transfer duty over the 3 years ending 2026–27.

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 $54 million in 2023–24.

Royalty assumptions and revenue risks

Table C.2 provides the key assumptions adopted for the 2023–24 Queensland Budget in relation to coal and petroleum royalties, which represent the bulk of Queensland's royalty revenue.

Table C.20 Coal royalty assumptions[1]

	2021–22 Actual	2022–23 Est. Act.	2023–24 Budget	2024–25 Projection	2025–26 Projection	2026–27 Projection
Tonnages - crown export[2] coal (Mt)	185	188	199	219	230	238
Exchange rate US$ per A$[3]	0.72	0.68	0.73	0.75	0.75	0.75
Year average coal prices (US$ per tonne)[4,5]						
Hard coking	392	281	185	175	175	175
PCI/Semi-soft	310	265	158	149	149	149
Thermal	244	310	153	120	120	120
Year average oil price						
Brent (US$ per barrel)[6]	77	102	81	79	76	75

Notes:

1. Numbers in this table may be affected by rounding.
2. Excludes coal produced for domestic consumption and where royalties are not paid to the government (private royalties). The 2023–24 estimated domestic coal volume is approximately 25.5 Mt and private coal is 4.1 Mt.
3. Estimated year-average.
4. Estimated year-average spot prices for highest quality coking and thermal coal. Lower quality coal can be sold below this price, with indicative average prices for 2023–24 as follows: hard coking US$170/t and thermal US$122/t.
5. In previous budget papers, year-average contract price assumptions were published. However, spot prices are now considered to better reflect expected price movements in the dynamic global coal market. As such, spot prices are outlined in this Budget and will be presented in future budget papers.
6. Published Brent oil prices are lagged by 4 months 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.

Since mid-2021, there has been an unprecedented surge in coal prices. While prices have since moderated from these exceptionally high levels, they remain elevated compared to historical levels.

The recent strength in prices is primarily driven by a range of short-term supply side factors and disruptions. As such, prices are expected to return to more sustainable levels across the forward estimates. However, the timing and extent of the decline remains uncertain.

Coal royalties are based on progressive rates with higher royalty rates applying to higher coal prices. This means coal royalty estimates are even more sensitive to price movements at times when prices are very high, therefore providing increased returns to Queenslanders from royalties on this valuable and limited resource during times when coal producers are also benefitting from the high prices in terms of increased revenues and profits.

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 royalty collections.

Potential impact on coal royalty revenue[1]

For each one cent movement in the A$-US$ exchange rate in 2023–24, the impact on royalty revenue would be approximately $136 million.

A one per cent variation in export coking and thermal coal volumes would lead to a change in royalty revenue of approximately $47 million. A one million tonne variation would lead to a change in royalty revenue of approximately $24 million.

A one per cent variation in the average price of export coal would lead to a change in royalty revenue of approximately $98 million.

Parameters influencing Australian Government GST payments to Queensland

The 2023–24 Queensland Budget incorporates estimates of GST revenue grants to Queensland based on 2023–24 Federal Budget 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 the Queensland 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 national economic growth and consumption are weaker than expected.

Due to the complexities associated with the GST base, the information provided in the Federal Budget papers is insufficient to prepare indicative estimates of the sensitivity of GST forecasts 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 2023–24 Budget and forward estimates reflect growth in full-time equivalent and wage increases consistent with existing agreements, the government's wages policy, and an allowance for future bargaining agreements. A one percentage point increase in wage rates above expectation would increase employee expenses by around $322 million per annum.

[1] Sensitivities represent the estimated change to royalty revenue accruing over the 2023–24 return period.

Interest rates

The General Government Sector has a total debt servicing cost forecast at $1.974 billion in 2023–24. The current average duration of General Government Sector borrowing with the Queensland Treasury Corporation (QTC) is 6 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 2023–24 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 the 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

	2015–16 Actual[1] $ million	2016–17 Actual[1] $ million	2017–18 Actual[1] $ million	2018–19 Actual[1] $ million	2019–20 Actual[1] $ million	2020–21 Actual[1] $ million	2021–22 Actual[1] $ million	2022–23 Est. Act. $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million	2026–27 Projection $ million
General Government												
Total revenue	50,780	56,194	58,087	59,828	57,778	62,791	74,185	87,623	82,079	82,102	82,858	85,591
Tax revenue	12,547	12,919	13,244	14,165	14,585	16,249	20,011	20,563	21,938	23,125	24,285	25,387
Total expenses	50,112	53,369	56,337	58,843	63,505	63,706	69,889	75,317	84,261	81,967	82,653	85,214
Employee expenses	20,045	21,258	22,681	24,019	25,662	26,385	28,068	30,279	32,175	32,825	33,864	34,930
Net operating balance	668	2,825	1,750	985	(5,728)	(915)	4,296	12,305	(2,182)	135	206	377
Capital purchases	4,044	4,620	5,126	5,764	6,306	6,682	7,889	9,194	9,347	11,473	11,417	11,389
Net capital purchases	1,163	2,265	2,337	3,192	3,436	3,942	4,367	5,520	4,534	7,400	6,183	5,678
Fiscal balance	(495)	560	(587)	(2,207)	(9,164)	(4,857)	(71)	6,786	(6,716)	(7,265)	(5,977)	(5,301)
Borrowing with QTC	34,200	31,358	29,256	29,468	37,570	46,153	49,000	47,014	57,494	67,872	78,104	88,154
Leases and similar arrangements[2]	1,286	1,882	2,142	2,612	6,485	7,703	7,671	7,586	7,892	8,074	6,929	6,567
Securities and Derivatives	(0)	(0)	122	121	198	220	93	93	93	93	93	93
Net debt	654	(355)	(509)	(198)	14,036	11,344	10,997	5,852	16,190	28,074	37,648	46,934
Non-financial Public Sector												
Total revenue	57,393	64,855	66,164	68,329	66,171	71,318	85,485	98,403	91,924	91,660	93,420	97,796
Capital purchases	6,852	7,291	7,643	8,460	9,482	9,877	11,140	13,601	15,231	20,135	19,973	21,566
Borrowing with QTC	71,160	69,107	66,964	67,576	76,464	85,901	90,851	90,088	100,457	112,803	125,847	139,556
Leases and similar arrangements[2]	1,316	1,882	2,142	2,612	6,977	8,157	8,028	7,941	8,545	8,668	7,456	7,027
Securities and Derivatives	446	895	405	720	1,503	1,570	17,374	4,533	1,636	681	481	432

Notes:

1. With the implementation of the latest GFS Manual (AGFS15), some categories have been restated to ensure comparability.
2. 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.

	2015–16 Actual[1] %	2016–17 Actual[1] %	2017–18 Actual[1] %	2018–19 Actual[1] %	2019–20 Actual[1] %	2020–21 Actual[1] %	2021–22 Actual[1] %	2022–23 Est. Act. %	2023–24 Projection %	2024–25 Projection %	2025–26 Projection %	2026–27 Projection %
General Government												
Revenue/GSP	16.9	17.1	16.6	16.3	16.0	17.1	16.6	18.1	17.0	16.2	15.6	15.3
Tax/GSP	4.2	3.9	3.8	3.9	4.0	4.4	4.5	4.2	4.6	4.6	4.6	4.5
Own source revenue/GSP	9.0	8.8	8.6	8.6	8.3	8.1	8.9	10.5	8.8	8.5	8.3	8.0
Expenses/GSP	16.6	16.3	16.1	16.1	17.6	17.3	15.6	15.6	17.5	16.2	15.5	15.2
Employee expenses/GSP	6.7	6.5	6.5	6.6	7.1	7.2	6.3	6.3	6.7	6.5	6.4	6.2
Net operating balance/GSP	0.2	0.9	0.5	0.3	(1.6)	(0.2)	1.0	2.5	(0.5)	0.0	0.0	0.1
Capital purchases/GSP	1.3	1.4	1.5	1.6	1.7	1.8	1.8	1.9	1.9	2.3	2.1	2.0
Net cash inflows from operating activities/Net cash flows from investments in non-financial assets	122.9	134.2	107.0	105.5	(2.5)	0.7	136.9	184.9	22.7	34.6	43.5	42.3
Fiscal balance/GSP	(0.2)	0.2	(0.2)	(0.6)	(2.5)	(1.3)	(0.0)	1.4	(1.4)	(1.4)	(1.1)	(0.9)
Total borrowings/GSP	11.8	10.1	9.0	8.8	12.3	14.7	12.7	11.3	13.6	15.0	16.0	17.0
Total Borrowings/Revenue	69.9	59.2	54.3	53.8	76.6	86.1	76.5	62.4	79.8	92.6	102.7	110.8
Lease and other liabilities/revenue	2.5	3.3	3.7	4.4	11.2	12.3	10.3	8.7	9.6	9.8	8.4	7.7
Net debt/revenue	1.3	(0.6)	(0.9)	(0.3)	24.3	18.1	14.8	6.7	19.7	34.2	45.4	54.8
Revenue growth	1.6	10.7	3.4	3.0	(3.4)	8.7	18.1	18.1	(6.3)	0.0	0.9	3.3
Tax growth	(0.4)	3.0	2.5	7.0	3.0	11.4	23.1	2.8	6.7	5.4	5.0	4.5
Expenses growth	1.1	6.5	5.6	4.4	7.9	0.3	9.7	7.8	11.9	(2.7)	0.8	3.1
Employee expenses growth	7.8	6.1	6.7	5.9	6.8	2.8	6.4	7.9	6.3	2.0	3.2	3.1
Non-Financial Public Sector												
Capital purchases/GSP	2.3	2.2	2.2	2.3	2.6	2.7	2.5	2.8	3.2	4.0	3.8	3.9
Total borrowings/GSP	24.2	21.9	19.9	19.3	23.5	26.0	26.0	21.2	23.0	24.1	25.1	26.3
Total Borrowings/Revenue	127.1	110.8	105.1	103.8	128.4	134.1	136.0	104.2	120.4	133.3	143.2	150.3
Net financial liabilities/revenue	127.4	111.2	111.5	114.9	158.3	142.5	118.0	95.1	112.5	127.0	136.3	141.9

Notes:

1. With the implementation of the latest GFS Manual (AGFS15), some categories have been restated to ensure comparability. GSP figures reflect 2021–22 ABS National Accounts: State Accounts and Queensland Treasury forecasts.

Queensland Government

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