QUEENSLAND
BUDGET 2022–23

BUDGET STRATEGY AND OUTLOOK

BUDGET PAPER NO. 2

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Queensland Government

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Budget Strategy and Outlook
Budget Paper No. 2

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Queensland Government

State Budget 2022–23

Budget Strategy and Outlook

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Contents

Overview

Queensland led the nation in its health response and economic recovery from COVID-19, with the state's domestic economy growing much faster than the rest of Australia. Queensland has created significantly more jobs than any other jurisdiction since the onset of the pandemic.

Queensland families, communities, businesses and the state's economy have also continued to show resilience and strength in the face of the Omicron outbreak, devastating floods and increasing global geopolitical uncertainty across the first half of 2022.

Building on the rapid and strong recovery from the COVID-19 crisis, the 2022–23 Queensland Budget will help further enhance employment opportunities for all Queenslanders, foster and support private sector investment and growth, maintain Queensland's enviable lifestyle, and deliver record levels of infrastructure investment and funding for essential services.

To drive these outcomes, this year's Budget provides substantial capital investment and funding in areas such as health, energy transformation, social and economic infrastructure, education, family services, justice and policing, protecting the environment and reducing the cost of living.

This includes a $59.126 billion infrastructure investment program over the 4 years to 2025–26 to enhance the state's productive capacity, improve service delivery and sustain jobs across all regions of the state.

Importantly, the Budget also provides $6.8 billion in concessions (including subsidies, discounts and rebates) to individuals and families to ease cost of living pressures and reduce costs for business.

In line with the Queensland Government's economic strategy, this investment will continue to drive improved economic, employment and social outcomes for all Queenslanders over coming years and decades, as Queensland sets its sights on the milestone of hosting the Brisbane 2032 Olympic and Paralympic Games.

Queensland's strong economy and labour market performance is also supporting an enhanced fiscal outlook, consistent with the government's fiscal principles to drive improved fiscal performance over the medium term. The 2022–23 Budget presents a lower net debt burden compared to the 2021–22 Budget Update, expenses growth that continues to be lower than revenue growth, and an expectation that, over time, operational cash surpluses will be making a growing and material contribution towards the funding of investment in non-financial assets.

Queensland's budget priorities

Queensland's nation-leading response to COVID-19 has underpinned the state's strong economic and labour market recovery.

While Queensland continues to transition from recovery to a focus on creating more, productive jobs in more industries across Queensland, the 2022–23 Queensland Budget still puts the health of Queenslanders first.

This budget provides a record $23.6 billion in 2022–23 for the Queensland health system to help meet growing demand. This includes operating funding of $22.044 billion for health and ambulance services, a 5.6 per cent increase from 2021–22. This significant boost to health funding will support thousands of additional frontline staff including doctors, nurses and paramedics.

The Mental Health Select Committee has recommended that the Queensland Government increase funding for mental health services and create a dedicated funding stream for mental health. This Budget provides $1.645 billion in operating funding over 5 years for improved mental health services. To fund the enhancements to mental health services, the Queensland Government will introduce a mental health levy to provide a sustainable funding source for the additional mental health related services and investment.

This budget also commits to a transformational investment of $9.785 billion over the next 6 years to boost health system capacity. The substantial capital investment in health is part of a $59.126 billion capital program over 4 years to 2025–26, estimated to support around 48,000 construction jobs across the state in 2022–23, which will provide the essential social and economic infrastructure needed for the state's growing population.

Queensland is leveraging off the momentum of its strong recovery from COVID-19 and driving a growing economy through 3 priorities: more jobs in more industries; better services; and protecting Queenslanders' lifestyle.

More jobs in more industries - The government's economic strategy will build on Queensland's traditional strengths and comparative advantages to support the creation of more employment opportunities and well-paid high-value jobs in traditional, emerging and new industries across all regions of the state.

This includes opportunities to drive a growing, innovative economy and create jobs in industries such as new energy, new economy minerals, advanced manufacturing including defence and biomedical products, agriculture, tourism, research and education services, and creative and design industries. The 2022–23 Budget contains a provision for the Queensland Energy Plan—to be released later in 2022—which will chart a course to ensure a sustainable and affordable energy future for the state.

By getting the state's economic settings and enablers right, the economic strategy will underpin the enhanced competitiveness and productivity of Queensland businesses so they can take advantage of these opportunities, enabling them to grow, invest, innovate, export and employ.

These key enablers of a thriving economy include: expanded trade opportunities, a larger skilled workforce, enhanced innovation and digitalisation, continued investment in public and private infrastructure, strengthened Environmental, Social and Governance credentials, and a competitive investment environment.

To enhance Queensland's trade opportunities, a new Queensland Trade and Investment Strategy will be backed by $150 million over 10 years, while flagship industry development programs under the $3.34 billion Queensland Jobs Fund will continue to facilitate investment and enable Queensland businesses and industries to prosper.

Better services – A growing economy will allow the government to continue investing in critical health, education, social and justice services, thereby increasing living standards for all Queenslanders. These services also help provide the skills and wellbeing needed to enable individuals to participate in the economy and their community.

To support quality learning and education outcomes, this budget provides $19.6 billion for education and training in 2022–23, including significant investments in new schools, upgraded campus facilities, and additional classrooms at schools experiencing increased enrolment.

The Queensland Government is also committed to supporting vulnerable Queenslanders across the state by meeting increased demand for child protection services, delivering the Youth Justice Strategy, strengthening social services, and enhancing women's economic security and safety.

As Queensland continues its transition from recovery to ongoing growth and prosperity, these priorities will ensure every Queenslander shares in the benefits of the state's thriving economy.

Protecting our Queensland lifestyle - The economic strategy will deliver a growing economy in a balanced way, by protecting Queensland's great lifestyle, alleviating cost of living pressures, investing in transport infrastructure and taking care of the environment.

This will position Queensland to showcase its great lifestyle at the Brisbane 2032 Olympic and Paralympic Games. In addition to the direct benefits and jobs from Brisbane 2032, the event will create ongoing benefits through increased trade and investment activity.

Cost-of-living pressures, including higher inflation, are being experienced around the world. This Budget provides $6.8 billion in concessions for Queenslanders in 2022–23, including $385 million for a $175 Cost of Living Rebate on Queensland households' power bills to provide support for households. The Budget also includes $200 million over 3 years in growth infrastructure to unlock housing supply, including $150 million for the Catalyst Infrastructure Fund.

The 2022–23 Queensland Budget also includes a range of initiatives to protect the natural environment that underpins the state's economy and supports the quality of life of Queenslanders. This includes $262.5 million over 4 years to continue delivery of *Queensland's Protected Area Strategy 2020–2030*, providing conservation and carbon positive outcomes.

Economic outlook

Queensland's economy and labour market has outperformed the rest of the nation since the onset of the COVID-19 pandemic, including the largest rise in employment in the country, with 206,000 more Queenslanders employed in May 2022 than before the pandemic.

Strong demand, particularly for goods, combined with severe supply chain disruptions saw global inflationary pressures surge in the latter half of 2021.

Surges in Omicron variant cases, major flooding in South East Queensland and the Russian invasion of Ukraine and subsequent global sanctions have all impacted the supply side of the Queensland economy in the first half of 2022 and exacerbated inflationary pressures.

In particular, the overall economic impact of the floods in February/March 2022 is estimated to be around $1 billion or ¼ percentage point of Queensland's Gross State Product.

Despite these shocks, Queensland's domestic economy continued to grow in the first quarter of 2022, to be 7.8 per cent higher than its pre-pandemic level, maintaining its stronger performance compared with the major southern states since the onset of the COVID-19 crisis.

While Queensland has recently experienced subdued population growth, the state has seen elevated levels of interstate migration which has helped support overall activity. In net terms, more than 40,000 people moved from interstate to Queensland over the year to September quarter 2021 and this momentum is expected to have carried through to the final quarter of 2021.

On balance, after rising 2.0 per cent in 2020–21, the Queensland economy is forecast to grow solidly, by a further 3 per cent, in 2021–22 and then average 2¾ per cent per annum growth over the rest of the forward estimates.

Consistent with the ongoing robust growth in domestic activity, year-average employment is forecast to grow by 4¾ per cent in 2021–22, its strongest growth in 15 years, followed by further solid employment growth of 3 per cent in 2022–23.

After falling to 4½ per cent in 2021–22, the state's unemployment rate is forecast to remain low across the rest of the forward estimates, between 4 and 4¼ per cent, as sustained employment growth and a pick-up in wages growth keep the participation rate elevated.

Reflecting higher housing costs, global oil prices and ongoing supply chain disruptions, consumer price inflation in Brisbane is forecast to remain elevated in the medium term, in particular in 2021–22 and 2022–23. Inflation is then expected to return to within the RBA's target band for national inflation of 2 to 3 per cent over the remainder of the forward estimates. This reflects a combination of factors, including the gradual easing of global supply chain constraints and a slowing in growth of fuel and food prices as global oil prices return to more sustainable levels and agricultural production recovers from the impacts of recent floods.

The key risks to the outlook are centred around global geopolitics and potential ongoing impacts of the pandemic, as well as the global and national inflationary and interest rate settings.

In particular, there is a risk that any extended conflict in Ukraine could result in a decline in global growth and have negative implications for Queensland over the medium term. The International Monetary Fund and World Bank have both downgraded their latest global growth forecasts, partly as a result of this conflict.

Overview Table 1 Queensland economic forecasts/projections[1]

	Actuals	Forecasts			Projections	
	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
Gross state product[2]	**2.0**	**3**	**2¾**	**2¾**	**2¾**	**2¾**
Employment[3]	2.4	4¾	3	1½	1½	1½
Unemployment rate[4]	6.8	4½	4	4¼	4¼	4¼
Inflation[5]	2.1	5¼	3¾	2½	2½	2½
Wage Price Index	1.6	2½	3½	3½	3½	3½
Population	1	1¼	1½	1½	1½	1½

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. Chain volume measure (CVM), 2019–20 reference year.
3. Comparable through the year seasonally adjusted employment growth rates to the June quarter are 9.9 per cent, 4¼ per cent, 1¼ per cent, 2 per cent, 1½ per cent and 1½ per cent, from June quarter 2021 to June quarter 2026 respectively.
4. Per cent, year-average.
5. 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

The Queensland Government's fiscal strategy continues to be framed by the Fiscal Principles that are guiding progress towards improved fiscal performance over the medium term.

The 2022–23 Budget presents a lower net debt burden compared to the 2021–22 Budget Update, expenses growth that continues to be lower than revenue growth, and an expectation that, over time, operational cash surpluses will be making a growing and material contribution towards the funding of investment in non-financial assets.

Despite the economic impacts in early 2022 from Omicron, devastating floods and the Russian invasion of Ukraine, Queensland is still positioned for strong economic growth.

Improving economic conditions since mid-2020 are translating into stronger revenue performance. Despite volatility in some revenue lines, revenue is expected to remain elevated over the forward estimates compared to the 2021–22 Budget Update.

The additional revenue in the 2022–23 Budget is being directed towards measures that address the increasing demand for key services. Over the 5 years to 2025–26, revenue is expected to grow at 4.5 per cent on average per annum, compared to 4.1 per cent for expenses.

A substantial net operating surplus of $1.915 billion is expected for 2021–22, driven by the revenue impacts of the temporary surge in coal and oil prices and increase in housing activity. As these factors unwind, the net operating position reverts to a modest deficit across 2022–23 and 2023–24 and is then expected to return to surplus from 2024–25 consistent with previous forecasts.

Adjustments to the levels of government spending in the 2022–23 Budget are targeted to meet increasing demand for services in key sectors such as health, education and child safety. This Budget also includes substantial commitments to reduce the cost of living for Queenslanders, and significant investments to support trade development, enhance digitalisation and facilitate and attract investment and employment growth in traditional and emerging industries.

The government's public infrastructure investment over 4 years maintains a focus on enhancing productive capacity, supporting service delivery and sustaining jobs.

The capital program continues to meet government's $50 billion infrastructure guarantee and to ensure a continual pipeline of key priority projects. The 4-year program from 2022–23 to 2025–26 amounts to $59.126 billion. Over the 11 years to 2025–26, the government will have supported over $138 billion in infrastructure works.

Forecast borrowings have been progressively revised downwards since the 2020–21 Budget due to prudent fiscal management. General government borrowings are expected to be $3.618 billion lower by 2024–25 than forecast in the 2021–22 Budget Update, and almost $4.480 billion lower than forecast in the 2021–22 Budget.

This has had a positive impact on the outlook for the general government net debt to revenue ratio. Compared to the 2021–22 Budget Update, the ratio is expected to be 6 percentage points lower by 2024–25. The improvement is even larger relative to the 2021–22 Budget estimate, with the net debt to revenue ratio for 2024–25 sitting 17 percentage points lower.

Overview Table 2 Key fiscal aggregates[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
General Government Sector							
Revenue	62,732	63,664	72,735	73,886	75,034	76,728	78,019
Expenses	63,669	67,149	70,820	74,915	76,116	76,591	77,836
Net operating balance	(937)	(3,485)	1,915	(1,029)	(1,083)	137	183
PNFA[2]	6,835	7,800	7,533	8,478	9,106	9,439	9,264
Fiscal balance	(5,015)	(7,965)	(2,386)	(5,635)	(5,631)	(5,008)	(3,969)
Borrowings	54,078	65,041	58,215	66,459	74,224	81,102	87,284
Net debt	11,360	24,750	11,390	19,772	27,603	33,667	39,214

Notes:
1. Numbers may not add due to rounding. Bracketed numbers represent negative amounts.
2. PNFA: Purchases of non-financial assets.

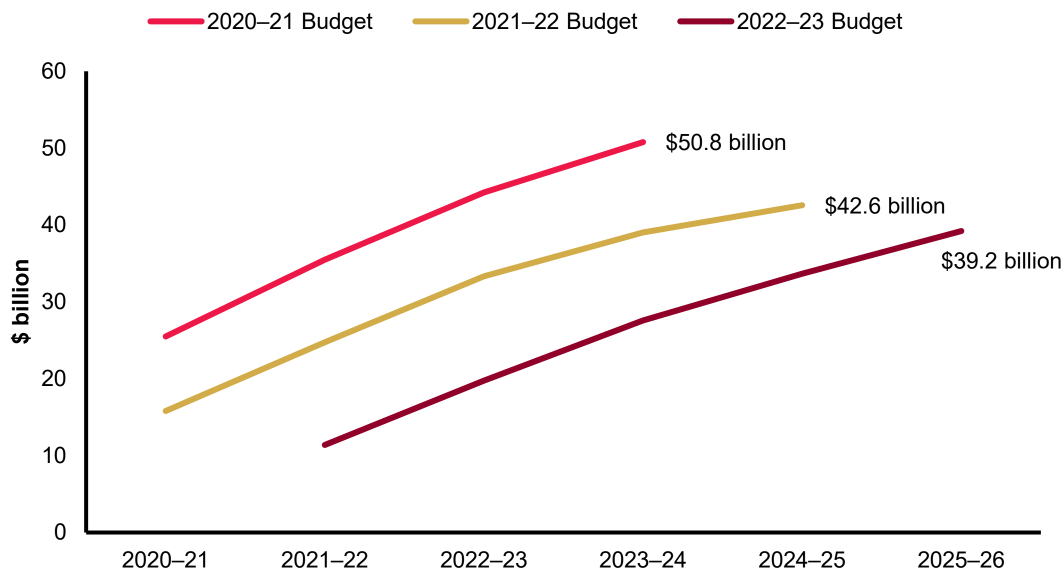
General Government Sector net debt has improved over the forward estimates and over successive budgets.

The 2020–21 Budget forecast net debt in 2023–24 to reach $50.8 billion. In this Budget, for the same year net debt is forecast to almost halve to be $27.6 billion.

By 2025–26, net debt is forecast to be $39.2 billion, more than $11 billion lower and reflecting 2 additional years of managing the state's finances.

Chart 1 highlights the substantially improved net debt position and outlook compared with the outlook at the time of the 2020–21 Budget and 2021–22 Budget.

Overview Chart 1 Net General Government Sector debt forecasts by budget



1 Queensland's budget priorities

Features

- Queensland is leveraging the benefit of its strong health response to drive recovery and a growing economy through 3 priorities: *more jobs in more industries; better services; and protecting Queenslanders' lifestyle.*
- Queensland has led the nation and the world in its response to COVID-19, and the state has shown resilience in the face of the recent floods. This strong health and economic response has seen 206,000 more Queenslanders employed as at May 2022 than before COVID-19, the largest increase in Australia.
- Protecting the health of Queenslanders remains vital to the state's future. The 2022–23 Queensland Budget provides a record $23.6 billion in 2022–23 for the health system, including operating funding of $22.044 billion for health and ambulance services, an increase of 5.6 per cent from 2021–22.
- Health commitments include a transformational $9.785 billion capital boost to build around 2,200 additional hospital beds over the next 6 years, as well as $1.645 billion over 5 years for mental health services. This investment will support thousands of additional frontline staff including doctors, nurses and paramedics.
- This boost to health infrastructure is part of a $59.126 billion capital program over 4 years to 2025–26 which is expected to support 48,000 construction jobs in 2022–23.
- Building on the state's traditional strengths and with 2032, the year of the Olympic and Paralympic Games as a focus, the economic strategy will drive the creation of more productive jobs in more industries across Queensland.
- There are opportunities to drive a growing, innovative economy across industries including new energy, new economy minerals, advanced manufacturing, biomedical products, agriculture, tourism, research and education services, and creative and design industries. The 2022–23 Budget contains a provision for the Queensland Energy Plan which will chart a course to a sustainable and affordable energy future.
- Queensland's economic strategy will focus on the enablers of a thriving economy including expanded trade opportunities, a larger skilled workforce, enhanced innovation and digitalisation, continued investment in public and private infrastructure, strengthened Environment, Social and Governance credentials, and a competitive investment environment. To enhance Queensland's trade opportunities, a new Queensland Trade and Investment Strategy will be backed by $150 million over 10 years.
- A growing economy will allow the government to deliver better services across the state, including in education, justice and social services.
- This growing economy will also be delivered while protecting Queensland's great lifestyle and alleviating cost of living pressures. The Budget includes $6.8 billion in concessions for Queenslanders in 2022–23, including $385 million for a $175 Cost of Living Rebate to help manage electricity costs. The Budget also includes $200 million over 3 years in growth infrastructure to unlock housing supply.
- As Queensland continues its remarkable transition from recovery, these Budget priorities will make sure every Queenslander shares in the benefits of a thriving economy.

1.1 Advancing Queensland's health system

As Queensland continues to transition from recovery, the 2022–23 Queensland Budget still puts the health of Queenslanders first.

Like in many parts of the world, the Queensland healthcare system is facing unprecedented challenges including rising presentations to emergency departments, forced postponement of non-urgent elective surgeries in response to COVID-19 surges and a redirection of available public hospital beds into COVID-19 dedicated wards.

The government is continuing to provide record investments in the health system to meet these unprecedented challenges and ensure the delivery of first-class health services to Queenslanders.

Box 1.1 Increasing health expenditure

Queensland continues to experience very strong ongoing demand for public hospital services such as emergency departments, mental health, specialist outpatients and elective surgery. Data for the period June 2015 to June 2021 indicates the number of admitted hospitalisations in Queensland's public hospitals has increased by 40 per cent, at an annual average growth rate of 5.8 per cent.

Despite these demands, Queensland's health performance remains strong, supported by record health budgets, with a focus on recruiting frontline staff, meeting increased demand for health services, and continuing to protect the state from COVID-19.

Since 2015–16, Queensland Health's operating budget has increased from $14.183 billion to $22.044 billion in the 2022–23 Queensland Budget. Faced with responding to the COVID-19 pandemic, the government has grown the Queensland Health budget by over 19 per cent over the last 3 years.

This investment has focused on supporting the health frontline by employing more staff in Queensland Health and the Queensland Ambulance Service. Between March 2015 and March 2022:

- the number of nurses increased by 10,638 (or 38.1 per cent)
- the number of doctors increased by 3,106 (or 39.2 per cent)
- the number of ambulance officers increased by 1,103 (or 29.7 per cent).

Queensland Health Capacity Expansion

The number of available hospital beds has also increased by 1,350 between June 2015 and June 2022. There are also 869 beds in the pipeline for delivery over coming years. Building on this, the 2022–23 Queensland Budget makes a significant investment to protect the health of Queenslanders through world-class health facilities across the state.

An additional $9.785 billion has been provided to Queensland Health for a range of projects to expand system capacity over the next 6 years ($5.708 billion over the forward estimates). With early works commencing in 2022–23, this will deliver around 2,200 additional overnight beds at 15 facilities by 2028, through the following projects:

- Cairns Hospital expansion
- New Toowoomba Hospital
- New Coomera Hospital
- Robina expansion
- Mackay Hospital expansion
- Princess Alexandra Hospital expansion
- Further Logan Hospital expansion
- QEII Hospital expansion
- New Queensland Cancer Centre
- The Prince Charles Hospital expansion
- Redcliffe Hospital expansion
- Townsville University Hospital expansion
- Ipswich Hospital expansion
- New Bundaberg Hospital
- Hervey Bay Hospital expansion

In total, the 2022–23 Budget will increase the number of hospital beds in the pipeline from 869 to 3,378. Further detail on these projects is available in the *Better Health and Hospitals Plan*.

The 2022–23 Queensland Budget folds remaining funds from the $2 billion Hospital Building Fund, established as part of the 2021–22 Budget, into this program. Projects originally funded through the Hospital Building Fund remain funded and will continue to be delivered.

Supporting Mental Health

In any one year, one in 5 Queenslanders will experience mental illness, including substance use disorders. State-funded mental health services have a critical role in providing treatment, care and support for Queenslanders experiencing severe mental illness and substance misuse issues. However, the system is impacted by some key challenges, including increasing service demand, workforce constraints and the continuing impact of COVID-19.

The Mental Health Select Committee, in its report to Parliament – *Report No. 1, 57th Parliament – Inquiry into the opportunities to improve mental health outcomes for Queenslanders* – identified significant opportunities to improve the mental health and wellbeing of Queenslanders, including:

- greater involvement of people with lived experience in the system
- greater use of health data to inform service delivery
- expanded GP and other community-based mental health services
- greater support services in schools
- expanding alternative entry points and emergency department diversion services
- utilising health practitioners’ full scope of practice.

The Chair’s Foreword in the Report acknowledged it would be rare to find someone in our community who has not been impacted by one or more of: mental ill-health, suicidality and alcohol and other drugs issues. The Committee received 164 written submissions, heard evidence from 243 witnesses and conducted 11 site visits across Brisbane, Hervey Bay, Gold Coast, Yarrabah and Cairns.

Queensland Health advised the Committee that it spent an estimated $1.35 billion on mental health in 2020–21 and a further $139 million on alcohol and other drug (AOD) services. Even so, the Committee considered it was evident that to reform Queensland’s mental health and AOD system, a substantial increase in investment is required.

The Committee’s first recommendation included recommending that the Queensland Government:

- increase funding and expenditure for mental health and alcohol and other drugs services in Queensland
- creates a dedicated funding stream for mental health and alcohol and other drug services and explores all options to create it.

In the 2022–23 Budget, the Queensland Government is providing an additional $1.645 billion in operating funding plus an additional $28.5 million in capital funding to support a new 5-year plan, the *Better Care Together: a plan for Queensland’s state-funded mental health alcohol and other drug services*, and to meet Queensland’s obligations under the *National Agreement on Mental Health and Suicide Prevention*.

This funding will support new beds for adolescent, young adult, adult, perinatal, eating disorder and older person mental health services. It also supports beds for new crisis response services and will provide more than 1,000 new staff to operationalise this plan. Additional funding is also being provided to support enhanced provision of psychological supports to be delivered by non-government providers.

To fund the enhancements to mental health services, the Queensland Government will introduce a mental health levy to provide a sustainable funding source for the additional mental health related services and investment (see Chapter 4 for more detail).

1.2 Good jobs, better services, great lifestyle

While the Queensland Government continues to put the health of people first, Queensland is leveraging the momentum of its strong recovery to grow the economy and enhance the quality of life of all Queenslanders through 3 priorities.

More jobs in more industries – Queensland will take advantage of global shifts and build on its strengths to realise opportunities in traditional and emerging industries that support good, secure jobs. By focusing on critical economic settings and enablers, the Queensland Government's economic strategy will improve the competitiveness and productivity of Queensland businesses so that they can take advantage of opportunities to drive a growing, innovative economy and job creation.

Better services – Growing the economy will give government the capacity to deliver better and fairer services. These services will improve the lives of Queenslanders while also enhancing the opportunity for all Queenslanders to benefit from participation in the economy and community.

Protecting Queenslanders' lifestyle – A growing economy will also be achieved while protecting Queensland's great lifestyle through addressing the cost of living, investing in the infrastructure needed to support the state's growing population and taking care of the environment.

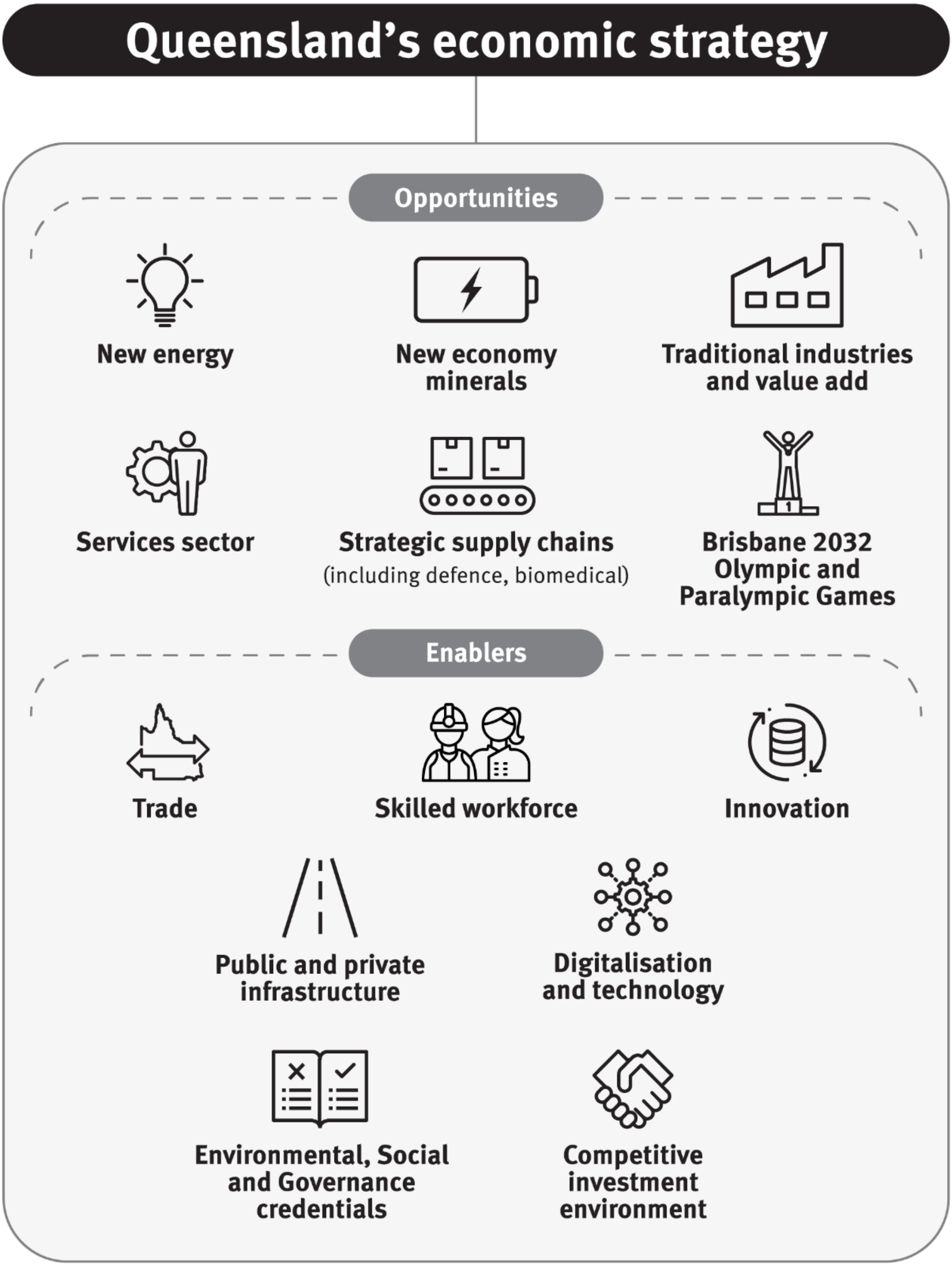
1.3 More jobs in more industries – Queensland's economic strategy

Queensland's economic strategy will create more good, secure jobs in more industries across the state by providing the environment for Queensland businesses to be competitive, attract private investment and thrive as the world changes.

It recognises the opportunities possible for Queensland in global shifts such as a lower emissions global economy, demand for Environmental, Social and Governance credentials, increasing digitalisation and supply chain diversification.

These opportunities leverage Queensland's economic strengths and comparative advantages to drive a growing, innovative economy and job creation across the state. This will occur across a range of traditional and emerging industries and sectors, including: new energy, new economy minerals, advanced manufacturing, biomedical products, agriculture, tourism, research and education services, and creative and design industries.

To facilitate and support the private sector growth and investment needed to maximise the benefits of these opportunities, the economic strategy is underpinned by a focus on enablers that will enhance the state's competitiveness and productivity, including expanded trade opportunities, a larger skilled workforce, enhanced innovation and digitalisation, continued investment in public and private infrastructure, strengthened Environment, Social and Governance credentials, and a competitive investment environment.


Queensland's economic strategy
Opportunities
New energy
New economy minerals
Traditional industries and value add
Services sector
Strategic supply chains (including defence, biomedical)
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

1.3.1 Industry and business opportunities to create more jobs

Queensland has a diverse and resilient economy with competitive advantages and economic strengths across regions and industries such as agriculture, mining, tourism, and the services sector. These industries will remain important to the Queensland economy, while emerging industries will provide opportunities to diversify and grow.

In an increasingly competitive environment where investors have multiple locations to choose from, having a broad investment facilitation and assistance program enhances the state's attractiveness as a place to do business. The Queensland Government established the $3.34 billion Queensland Jobs Fund to capture future opportunities in traditional and emerging industries. Each program in the Queensland Jobs Fund has a targeted set of objectives. These programs include:

- Industry Partnership Program – $350 million to grow and create jobs across priority industry sectors
- Backing Queensland Business Investment Fund – to provide direct investment in Queensland business and industry
- Queensland Renewable Energy and Hydrogen Jobs Fund – $2 billion to allow energy government-owned corporations (GOCs) to increase ownership of renewable energy and hydrogen projects, and supporting infrastructure, including in partnership with the private sector
- Building Acceleration Fund – to invest in catalyst infrastructure projects
- Made in Queensland – to help small and medium sized manufacturers to increase international competitiveness, productivity and innovation
- Manufacturing Hubs – to assist manufacturers to become more productive and create the jobs of the future
- Hydrogen Industry Development Fund – to drive investment and accelerate development of hydrogen projects
- Queensland Recycling Modernisation Fund – to support industry infrastructure expansions or upgrades (a joint initiative with the Australian Government)
- Invested in Queensland program – to boost job creation and supply chain opportunities by supporting major private sector investment.

The 2022–23 Queensland Budget also includes further investments targeted to assist the state's businesses and industries to realise economic opportunities in traditional and emerging sectors.

New energy

Queensland is well placed to deliver more renewable, reliable and competitively priced energy for domestic and international markets, continuing the state's role as an energy leader. The 2022–23 Queensland Budget contains a provision for the Queensland Energy Plan, which will chart a course to ensure a sustainable and affordable energy future for the state. Specific initiatives will be finalised as part of the release of the Queensland Energy Plan later in 2022.

Queensland's renewable sector has continued to grow since the Queensland Government established a 50 per cent renewable energy target by 2030. More than 20 per cent of electricity used in Queensland is now met by renewables with 50 large-scale renewable energy projects operating, under construction or financially committed since 2015.

This equates to some $11 billion of investment, supporting 7,900 construction jobs and producing 5,774 megawatts (MW) of clean energy such as wind and solar, with more than 13.8 million tonnes of avoided emissions each year.

The 2022–23 Queensland Budget continues to support Queensland's energy transformation. Through the $2 billion Queensland Renewable Energy and Hydrogen Jobs Fund, the government has committed $192.5 million for Stanwell's investment in the 252 MW Wambo Wind Farm, and $43.9 million to support Stanwell and CS Energy hydrogen projects.

In addition, GOCs are retaining 2021–22 dividends for critical infrastructure and growth initiatives, supporting continued renewable energy, storage and strategic network investments across Queensland. This recognises the need to capitalise businesses to undertake strategically important investment in transformational growth opportunities, and the government's commitment to public ownership for the benefit of all Queenslanders.

CS Energy is investing $150 million to deliver the 100 MW Chinchilla battery, and Stanwell is investing $207 million to deliver a 150 MW battery at Tarong.

The 2022–23 Queensland Budget delivers up to $10 million for a pilot to improve supply and storage of energy in regional communities through local solutions such as microgrids.

Queensland is also investing to deliver the new large-scale pumped hydro energy storage capacity essential for Queensland's energy future. In 2021–22, $22 million was committed over 2 years to undertake a detailed feasibility study for a pumped hydro energy storage project at Borumba and concept studies for other sites.

This Budget allocates up to $48 million more for pumped hydro energy storage investments, including $13 million to fast-track a final investment decision on the proposed Borumba pumped hydro energy storage project and $35 million towards feasibility work on a second pumped hydro energy project.

These investments will further strengthen the supply of affordable, reliable and clean energy across Queensland, while also supporting regional jobs and investment.

Box 1.2 Hydrogen

The Queensland Renewable Energy and Hydrogen Jobs Fund will directly support the state's potential to be at the forefront of Australia's hydrogen industry, and facilitate future production and supply of renewable hydrogen for both domestic and export markets over the next decade and beyond. This underlines the possibility of significant industry development, supply chain and employment opportunities being generated across regional Queensland.

In 2021–22, CS Energy announced it is part of a partnership demonstrating the production of renewable hydrogen to power Queensland's heavy transport sector. A $28.9 million allocation from the Queensland Renewable Energy and Hydrogen Jobs Fund will support CS Energy's partnership with Queensland energy company Senex to build the Kogan Renewable Hydrogen Project, including a demonstration plant and refuelling facilities near Chinchilla.

Once operational, the project will produce up to 50,000 kilograms of renewable hydrogen per annum and includes a potential refueller network.

Also in 2021–22, Stanwell, as part of a world-class consortium including Iwatani Corporation, Kawasaki Heavy Industries, Kansai Electric Power Company and Marubeni, and Australian energy infrastructure business, APA Group, commenced a $10 million feasibility study into the development of the Central Queensland Hydrogen Project (CQ-H2) near Gladstone Port.

CQ-H2 is a cornerstone opportunity for Queensland, with the project seeking to commercialise the production and liquefaction of renewable hydrogen and large-scale export to Japan. In 2022–23, the project will progress detailed feasibility and engineering design work into the development of a large-scale electrolyser and liquefaction facility in Central Queensland.

In demonstrating the government's commitment to this project, Stanwell has been allocated an additional $15 million towards the Front-End Engineering Design Study for the project.

Queensland's port-based GOCs (Gladstone Port Corporation Limited, North Queensland Bulk Ports Corporation Limited, Port of Townsville Limited) are continuing to plan for the development of hydrogen export facilities, primarily in the ports of Gladstone, Hay Point, Abbot Point and Townsville.

The port-based GOCs have various commercial agreements with private consortiums seeking to progress hydrogen export facilities and will continue to actively work with them and other state agencies to investigate and plan for the infrastructure required to facilitate their respective developments.

New economy minerals

Working with industry and stakeholders, the Queensland Government is developing a Queensland Resources Industry Development Plan that will establish a 30-year vision for Queensland's resources industry, to ensure it continues to grow and diversify. The government is committing $68.5 million over 5 years to implement the package.

Expansion of Queensland's resources sector will be driven by the production of new economy minerals needed for global decarbonisation technologies. The International Energy Agency estimates that total mineral demand for clean energy technologies will double between 2020 and 2040 under current energy policies that are either in place or announced. Concerted efforts to transition to global net zero emissions by 2050 would require 6 times more mineral inputs in 2040 compared with 2020.

Queensland will produce and deliver many of the new economy minerals the world needs like copper, vanadium and cobalt used to make renewable energy and electrification technologies. Queensland also has the genuine potential for downstream processing capability from extraction to manufacturing.

Box 1.3 New economy minerals and batteries

The Queensland Resources Industry Development Plan aims to fast track new economy minerals production and processing. The government is committing $68.5 million over 5 years to implement the package, including an additional $17.5 million over 4 years to enhance the Collaborative Exploration Initiative, to make more mineral discoveries in Queensland.

Through the $520 million Invested in Queensland program, at least $10 million will be put towards building a new common-user processing plant in Townsville with a focus on vanadium, a critical battery mineral.

The Queensland Government will partner with the Australian Government to create a local Battery Manufacturing Precinct in Queensland. This initiative is backed by a $100 million equity investment by the Australian Government. The Queensland Government's Buy Queensland Procurement Policy will also support demand for local battery manufacturing.

In recognition of the potential opportunities in the battery supply chain, the government will also invest $5 million in a Queensland Battery Industry Development Strategy. The Strategy will identify where Queensland has potential to value-add to battery minerals in the state.

This strategy will also be backed by up to $15 million in 2022–23 to support scaling-up of the National Battery Testing Centre, subject to contractual arrangements being finalised. This will position Queensland to be Australia's gateway for battery innovation.

Advanced manufacturing

Future opportunities in Queensland's advanced manufacturing sector align with Queensland's traditional areas of economic strength, including value-adding and export opportunities in the resources and agricultural sectors. There are also emerging opportunities in industries such as defence, given the need to strengthen sovereign capability, and in the supply of high-value goods and services in biomedicine and health.

Building Queensland's advanced manufacturing capabilities will help secure reliable domestic supplies of essential products and support Queensland's economic resilience in the face of future global disruptions. However, for such projects to be sustainable they must be internationally competitive.

The government's Industry Roadmaps and initiatives such as the $3.34 billion Queensland Jobs Fund will grow and create jobs in advanced manufacturing and priority sectors. Developed with industry, 10-year roadmaps in sectors such as hydrogen, biofutures, biomedical, defence, aerospace and resource recovery are driving innovation-led jobs for the future.

Defence – The defence roadmap is being realised through cutting-edge projects such as Boeing's 'MQ-28A Ghost Bat' unmanned aircraft, which is set to be produced and assembled in Queensland, subject to defence orders. This facility, to be built in Toowoomba's Wellcamp Aerospace and Defence Precinct, is expected to support around 300 construction jobs, with at least 70 high-skilled advanced manufacturing jobs to be created once the facility is operational.

Biomedical – Biomedical technology projects, like the new facility to produce Vaxxas' needle-free vaccines, support the Queensland Government's aim to make the state a globally competitive Asia-Pacific biomedical hub. This facility is expected to employ up to 110 high-skilled biomedical experts when operating in early 2023. This could grow to more than 139 new jobs over 5 years.

In addition, the 2022–23 Queensland Budget commits $50 million over 2 years to continue the Made in Queensland and Manufacturing Hubs Grant programs. These programs help small and medium sized manufacturers across the state to increase their international competitiveness and build advanced manufacturing capability in Queensland's regions.

Agriculture

Agriculture is a traditional economic strength, employing 69,100 Queenslanders and with 84 per cent of Queensland's agricultural economic output originating from regional Queensland. Diversification and value-chain innovation will provide major opportunities to grow the industry in areas such as high-value horticulture, seafood, livestock and other value-added products.

This will be backed by a Low Emissions Agriculture Roadmap as well as an AgTech Roadmap currently under development in collaboration with industry and other stakeholders.

The Budget also continues to deliver support to drought affected regions through the delivery of the Drought Assistance and Reform Package of up to $79.6 million over 4 years, and $150 million over 3 years for drought preparedness and emergency loans to help primary producers prepare, manage, recover and mitigate the impacts of drought.

The Budget is also supporting industry sustainability with up to $45.9 million over 5 years in new biosecurity funding, including $37.1 million over 5 years for fire ant suppression, up to $7.8 million over 4 years (and $1.5 million) ongoing towards the National Biosecurity System and $1 million in 2022–23 for the Queensland Feral Pest Initiative Round 7.

Tourism

Tourism is an important part of many regional Queensland economies and communities. Prior to the pandemic, 147,000 Queenslanders were employed in the sector in 2018–19, including in South East Queensland, tropical North Queensland, the Whitsundays and Fraser Coast.

Recognising the importance of the sector, the Queensland Government provided more than $1 billion to support tourism and hospitality operators during the COVID-19 pandemic. With the reopening of domestic and international borders, tourism has started to recover, led by domestic tourism.

The most recent data from Tourism Research Australia indicates that domestic tourism in Queensland has largely recovered to pre-pandemic levels, while the recovery in international tourism is progressing. The number of short-term international arrivals to Queensland has increased strongly since late 2021, however it remains well below pre-pandemic levels.

The ongoing return of domestic and international tourists to Queensland will drive industry growth and the government will continue working with industry to realise future opportunities, culminating in delivery of the Brisbane 2032 Olympic and Paralympic Games (Brisbane 2032).

To support tourism operators and regional communities, this Budget commits up to $66.4 million over 4 years to support initiatives for tourism recovery and growth.

Research and education, creative and design services

Research, education and training services directly employed 221,100 Queenslanders in 2021. These sectors also provide the training and education to increase the skills of the state's broader workforce.

These industries are also an important part of Queensland's innovation ecosystem. They develop the ideas and technologies for future Queensland businesses, products and services and apply overseas innovation to domestic applications. The easing of COVID-19 restrictions and the opening of international borders will support recovery of international education.

The government directly supports scientific research in Queensland through funding assistance and financial incentives, with this support creating a collaborative network of institutes and precincts across the state.

Reflecting this, the government has launched 3 regional science and innovation hubs in the first half of 2022 that aim to provide people living in regional Queensland with opportunities for skills development and establish local networks that will drive growth, development and capability in the science sector and innovation economy throughout the state's regions.

The government's Production Attraction Strategy continues to deliver outcomes for Queensland's thriving film and screen industry. Building on this momentum, the 2022–23 Queensland Budget provides $13.8 million over 6 years to deliver a new film studio in Far North Queensland which will attract more local and international productions.

1.3.2 Economic settings and enablers

Ensuring the state remains a competitive and attractive destination for investment and talent is essential for a growing economy that creates good, secure jobs. By optimising the state's economic settings and enablers, Queensland's economy will be more flexible and resilient, and able to respond to new challenges and opportunities.

In particular, the economic strategy will be focused on facilitating trade opportunities, a skilled workforce, innovation, infrastructure, digitalisation and technology, Environment, Social and Governance credentials, and a competitive investment environment.

Trade

Trade is essential for Queensland as a trade-oriented economy, with one in 4 jobs across the state directly dependent on interstate or international trade. The state's exports were worth $67.5 billion in 2020–21, accounting for 18.4 per cent of Gross State Product.

Queensland can leverage its international reputation, strong trade relationships and opportunities like Brisbane 2032 to promote and grow exports. A new Queensland Trade and Investment Strategy will be backed by a $150 million investment over 10 years to deliver new specialist staff, export clusters and trade delegations targeted to the state's high value opportunities and markets.

Through facilitation services and industry development programs under the $3.34 billion Queensland Jobs Fund, the Queensland Government is helping attract investment and support Queensland businesses to take their products and services to the world.

Investment attraction initiatives, such as the Invested in Queensland program, aim to unlock the potential of investment projects in Queensland, accelerate the expansion and scale-up of local production capabilities, and create more jobs across the state.

Skilled workforce

Developing home-grown skills and attracting new talent will support both emerging industries that are growing and traditional industries that are constantly adapting to remain competitive. This is a challenge with industries and businesses across the state currently facing labour and skill shortages. Quality, responsive training is essential to position Queensland to compete internationally.

Investments in skills and training such as through Skilling Queenslanders for Work, will keep creating opportunities for Queenslanders to upskill, reskill and prepare for high value, highly skilled future job opportunities, helping to deliver higher incomes for Queenslanders.

In the 2021–22 Budget, the government provided $320 million over 4 years and $80 million ongoing to extend the Skilling Queenslanders for Work program, which assists up to 15,000 Queenslanders facing disadvantage in the labour market each year. Permanent funding for Skilling Queenslanders for Work has embedded the program into the core business of the state.

Queensland’s Workforce Summit, held in March 2022, brought together the community, industry and government to build innovative solutions that support a ready workforce for future opportunities.

Queensland’s Workforce Strategy will focus on how the Queensland Government can support development of a dynamic workforce, noting current challenges are being faced nationally. All levels of government and industry have a responsibility to contribute to solutions, including the Australian Government which has policy responsibility for tertiary education and migration which are critical to future outcomes.

Based on outcomes from the Summit, Queensland’s Workforce Strategy will focus on promoting local opportunities to address labour shortages, maximising participation, supporting school-to-work transitions, developing emerging and innovative models of training, attracting and retaining staff, and seizing future opportunities for skills in rapidly growing sectors.

Measures announced at the Summit include $15 million for the VET Emerging Industries initiative to develop flexible industry strategies and a Growing Workforce Participation Fund pilot to help employers to hire more diverse Queenslanders.

The Queensland Government’s commitment to skills and training remains a priority with more than $1.2 billion invested to continue delivering high quality training and creating career pathways for Queenslanders.

Innovation

Widespread creation and diffusion of innovative ideas, technologies and practices will support Queensland businesses to improve productivity, profitability and competitiveness, as well as deliver new products and services into global markets.

The government has a strong history of promoting innovation through investments such as the $755 million Advance Queensland initiative. To date, Advance Queensland has funded more than 140 programs during its lifetime, helping to establish new industries that will underpin a growing economy. These programs include the Industry Research Fellowships Program which has helped partner researchers with industry, and The Precinct innovation hub that has connected Queensland start-ups, investors, and mentors to drive innovation.

The state's innovation ecosystem has also been enhanced by the establishment of a new leadership and engagement model. The new Queensland Chief Entrepreneur is working with government to connect the innovation ecosystem, support capital pathways and maximise the economic opportunity for Queensland from Brisbane 2032. The Innovation Advisory Council, established in 2021, will support the Queensland Chief Entrepreneur by attracting investment and providing a platform for setting new direction on priority outcomes.

New initiatives to foster and accelerate innovation across industries are being developed to further the innovation agenda and economic development across the state. To support the translation of research and innovation into improved healthcare outcomes, this Budget provides up to $35.5 million in additional funding over 4 years to support the $80 million expansion of the Translational Research Institute.

Public and private infrastructure

The delivery of productive infrastructure, including digital connectivity, will make it easier to do business in Queensland, facilitate greater mobility of labour and improve supply chains, as well as enabling better services to be delivered across the state and supporting Queensland's great lifestyle.

As part of a $59.126 billion capital program over 4 years to 2025–26, $15.510 billion in 2022–23 will directly support around 48,000 jobs during the construction phase, including 31,100 jobs outside of greater Brisbane. Many more jobs will also be indirectly supported through the increased economic activity and connectivity generated by this infrastructure investment.

The government's commitment to facilitate and deliver the critical infrastructure needed for a growing Queensland is outlined further in sections 1.4 and 1.5.

Environment, Social and Governance credentials

In the context of the continuing transition to a lower emissions global economy, maintenance and enhancement of the state's Environment, Social and Governance (ESG) credentials will be critical to support Queensland's competitiveness.

Realising Queensland's future Energy Plan will demonstrate the pathway to meeting the Queensland Renewable Energy Target. This will further bolster the state's ESG credentials, as will continued targeted investment in social services and justice reforms that strengthen communities and support vulnerable Queenslanders.

In tandem with Queensland's institutional stability, the state's financial management is a recognised strength. Queensland has a prudent approach of long-term planning and transparency, and exceptional debt and liquidity management that has contributed to its strong ESG credentials, being awarded an ESG rating of AA by MSCI in July 2021. Maintaining this strong position will be vital for attracting future investment.

Competitive investment environment

Maintaining a competitive business environment attracts investment and supports the establishment and expansion of industry and businesses across the state.

The government has implemented a range of regulatory reforms as part of its response to the COVID-19 pandemic, making it easier for businesses to recover, invest and employ. There will continue to be a focus on reducing the regulatory burden and compliance costs for business, including by improving the provision of information to businesses, removing duplication and reducing compliance and reporting requirements.

This complements existing industry attraction and facilitation services that assist businesses to establish or expand in Queensland. These include identifying suitable site options, streamlining approvals, advising on the development approval process and facilitating introductions to service providers.

Investment schemes under the $3.34 billion Queensland Jobs Fund further strengthen Queensland’s competitive position. The Strategic Investment Scheme provides tailored assistance packages to support large-scale projects and the Investment Support Scheme incentivises businesses to invest in Queensland through a rebate program for payroll tax and other state-managed taxes.

The government is also introducing a new Significant Investment Facilitation approach to enhance cross-government coordination of the most significant investment opportunities, which will deliver more timely and successful outcomes.

In recognition of the important role that small to medium businesses play in the Queensland economy, the government is providing payroll tax relief to small and medium businesses across the state, through adjustments to the existing payroll tax deduction framework from 1 January 2023.

This targeted payroll support measure will help to minimise the cost pressures on eligible businesses and provide confidence to those businesses to employ additional Queenslanders to take advantage of economic opportunities emerging across the state.

The reform is estimated to benefit over 12,000 Queensland businesses and will save a business paying $6.5 million in annual taxable wages over $26,000 in payroll tax each year.

In addition, the 2022–23 Queensland Budget commits funding of $39.1 million over 4 years and $12.6 million ongoing to permanently fund Small Business Grants and the Mentoring for Growth program. Further, the permanent appointment of the Queensland Small Business Commissioner allows the government to continue to provide small businesses with ready access to support, information and advice, and will reduce the time and costs associated with resolving disputes.

Box 1.4 Productivity

A more productive economy improves the living standards of all Queenslanders and allows real wages to grow.

While many factors influence productivity, the government can play an important role through robust policy and regulatory settings and the efficient delivery of services.

The Queensland Government is progressing its productivity reform agenda by:

- developing productivity-enhancing reforms and initiatives across a broad range of priority areas, including:
  - investments in better services such as health, mental health and education that will improve social and economic participation
  - infrastructure that improves mobility and supply chain connectivity through the government's capital program of $59.126 billion over 4 years to 2025–26.
- ensuring new and existing regulations are necessary, fit-for-purpose and well designed
- identifying and progressing regulatory reforms where regulation may impede investment in new industries and technologies
- improving the way regulators administer and enforce regulation to reduce the regulatory burden on business and the community
- working with the Queensland Small Business Commissioner to identify regulatory reform priorities to support small business.

1.4 Better services

Queensland's investment in the provision of health, education, justice and social services will raise living standards, provide the skills and wellbeing for individuals and households to participate in the economy, and help achieve a fairer environment that drives job creation.

1.4.1 Enhancing education and digital services

Access to quality learning and education is essential for young Queenslanders to thrive and participate in the state's growing economy. Since March 2015 there has been a 13.75 per cent increase in the numbers of teachers in state schools. Overall, the 2022–23 Queensland Budget provides $19.6 billion for education and training statewide in 2022–23.

The 2022–23 Queensland Budget includes $389.5 million for new primary schools to open in 2025 and 2026 in Caboolture West, Caloundra South, Ripley Valley, Greater Flagstone and Bahrs Scrub, $20 million over 2 years to upgrade school playgrounds and tuckshop facilities, and $118.6 million over 2 years for additional classrooms at schools experiencing increases in enrolment.

This investment builds on the government's $1 billion Great Schools, Great Future infrastructure commitment and brings total investment under the Building Future Schools Program to $3 billion since 2015.

This Budget also includes additional funding of $80.6 million over 3 years to support the transition to a new resourcing model for students with disability, and $13.3 million in 2022–23 to expand the Share the Dignity in Queensland Schools initiative, which provides free period packs to all state schools, outdoor education centres and student residential facilities.

To improve the delivery of education services to young people in the youth justice system, additional funding of $27.6 million over 5 years and $6.5 million per year ongoing is also provided to increase the teacher to student ratio for education staff working in Queensland's 3 youth detention centres.

Digitalisation benefits Queensland households and businesses and is a catalyst for skills development, creating and communicating knowledge, innovation and service delivery.

Adoption of technology enables businesses to expand their delivery of goods and services to new customers and markets and increase their competitiveness. Households also gain access to more channels to purchase goods and services, and can improve access to services, such as education and telehealth.

Recognising that telecommunications is an Australian Government responsibility, the Queensland Government still plays a critical role in enhancing the growth of the digital economy in Queensland and its economic benefit by investing in essential infrastructure and skills development.

The government previously announced up to $190 million over 5 years to make internet speeds 200 times faster for all Queensland state schools. This partnership with Telstra includes $110 million for exchange upgrades, benefitting communities and businesses in hundreds of regional and remote areas.

Digitalisation also improves the delivery of government services. This Budget includes $126.9 million over 5 years to digitise Queensland Courts and the Queensland Civil and Administrative Tribunal and $30.4 million over 4 years to upgrade Queensland Corrective Services' Integrated Offender Management System.

1.4.2 Supporting communities and keeping Queenslanders safe

The Queensland Government is committed to supporting vulnerable Queenslanders, with substantial funding commitments in the 2022–23 Queensland Budget including:

- Child Protection Services – $2.2 billion over 5 years and $500 million per year ongoing for out of home care services in response to significant, ongoing pressures arising from an increase in demand in the child protection system
- Youth Justice Investment – $78.8 million over 4 years and $18.9 million per year ongoing from 2025–26 to continue the Youth Justice Strategy reforms
- Strengthening Social Services in Queensland – $125.6 million over 4 years and $19 million per year ongoing to strengthen the community and social services sector with a focus on elevating the role and function of neighbourhood and community centres and to support delivery of the government's response to the Parliamentary Inquiry into Social Isolation and Loneliness

Box 1.5 Parliamentary Inquiry into Social Isolation and Loneliness

The government is delivering on its commitment to address social isolation and loneliness.

On 27 May 2021, the Legislative Assembly agreed to a motion that the Community Support and Services Committee inquire into and report on social isolation and loneliness in Queensland. The Committee issued its report, which contained 14 recommendations, on 6 December 2021, and the government tabled its final response on 6 June 2022.

The government response supported, or supported in principle, all of the recommendations of the Committee.

The 2022–23 Budget includes a significant investment to support this response, providing $51.8 million to increase existing neighbourhood and community centre base operational funding, ensuring the ongoing viability and maximum benefit from this important part of our social services infrastructure. The Inquiry report highlighted the invaluable role that neighbourhood and community centres play in promoting social inclusion and reducing loneliness.

This Budget also provides $4 million over 4 years for a new Innovation Fund that will support the delivery of community-led responses to local issues, with a focus on responding to the causes and impacts of social isolation and loneliness.

Additional funding of $2.1 million has also been provided to support activities recommended by the inquiry report, including to support the further development of plans and initiatives to address social isolation and loneliness, and development of training and resources to support workers and volunteers in the community and social services sector.

This forms part of the government's total funding of $125.6 million over 4 years and $19 million ongoing to strengthen social services in Queensland.

The government is also protecting communities and keeping Queenslanders safe through the $2.878 billion provided in 2022–23 for policing services. The government is continuing to provide an additional 2,025 police personnel by 2025, which is the biggest increase in police resourcing in almost 30 years.

This Budget also includes $174.6 million to fund the police capital program, including facilities, motor vehicles, vessels and other essential equipment, to support quality frontline police services.

Women's economic security and safety is an important focus of the government's 5-year *Queensland Women's Strategy 2022–27*. The strategy provides a framework for improving outcomes for women and girls, supporting them to freely participate and succeed in economic, social and cultural opportunities.

The 2022–23 Queensland Budget commits $363 million over 5 years and $61.3 million ongoing as part of the Queensland Government response to the Queensland Women's Safety and Justice Taskforce *Hear her voice – Report one – Addressing coercive control and domestic family violence in Queensland,* for system-wide reform and criminalising coercive control. A further $19.2 million is provided over 4 years for specialist domestic, family and sexual violence support services and programs for women in custody.

1.5 Protecting Queenslanders' lifestyle

Queensland's strong economy and enviable lifestyle have made the state a destination of choice for Australians, with net interstate migration in Queensland the highest of all states and territories during 2020–21. Net interstate migration rose even higher in the September quarter 2021, to an annual change of 40,600 persons, the highest annual change since the December quarter 1994 and well above the next highest state of Western Australia with 6,100 persons.

The 2022–23 Queensland Budget continues to invest in protecting the environment and maintaining Queensland's great way of life while Queenslanders and Queensland businesses realise the opportunities of a growing economy.

1.5.1 Cost of living support

The current global inflationary environment is driving up the cost of living around the world. This is the result of a combination of factors, including the easing of COVID-19 restrictions supporting strong domestic demand, COVID-related disruptions to global supply chains and geo-political instability driving a surge in commodity prices.

While Queensland's housing prices remain broadly less expensive than in many of the other states and territories, Queensland has also experienced significant inflationary pressures.

The 2022–23 Queensland Budget is progressing several initiatives that will provide short-term and long-term solutions to reduce cost of living pressures.

Box 1.6 Concessions, subsidies and discounts

The Queensland Government provides a significant range of concessions, subsidies, discounts and rebates every year which help reduce transport, housing, healthcare, education, water and energy costs for millions of Queensland households.

In 2022–23, the value of these concessions is $6.786 billion, an increase of more than 10 per cent from 2021–22.

This includes a total of $385 million in 2022–23 to support Queensland households with a $175 Cost of Living Rebate, with the government having allocated a total of $1.185 billion to provide households with a total of $575 in direct financial assistance through electricity bill rebates since April 2018.

Since the Palaszczuk Government's first budget in 2015–16, total government spending on concessions has increased by 44 per cent. This increase has, on average, outpaced inflation by 1.4 per cent per annum.

As part of the government's commitment to address housing affordability challenges, the *government managed housing rental rebate* supports approximately 54,700 low income households and has increased from $363.1 million in 2015–16 to $541.3 million in 2022–23.

General Transport Concessions for bus, rail and ferry services have risen from $1.357 billion in 2015–16 to $2.140 billion in 2022–23. *Energy concessions* help provide affordable power to households and businesses and have increased from $689.5 million in 2015–16 to $1.336 billion in 2022–23. Significant concessions provided in the 2022–23 Budget include:

- $153.9 million for the School Transport Assistance Scheme, which provides funding for low-income households to reduce the costs of travelling to school
- $180.7 million for the Oral Health Scheme, providing free dental care to eligible clients and their dependents
- $195.8 million for Vehicle and Boat Registration Concessions available to a range of groups, including Queensland Seniors Card holders, to reduce registration fees
- $799.1 million in rail network and infrastructure funding to ensure the safety and reliability of the rail network and reduce access charges for users
- $245.7 million for the User Choice Training Subsidy which helps fund training and assessment costs for Queensland apprentices and trainees
- $201.2 million for the Certificate 3 Guarantee Tuition Fee Subsidy, which supports eligible Queenslanders to obtain their first post-school Certificate III qualification.

These concessions make a real difference to the lives of Queenslanders. For example, in 2022–23 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, will receive concessions including a $372 electricity rebate, a $120 South East Queensland water subsidy, $200 for council rates and $81 for reticulated natural gas.

They will also receive a reduction of around $174 on the annual registration of their small 4 cylinder car, and a $175 Cost of Living Rebate on their electricity bill. In total they save $1,122 on these concessions. In addition, they are entitled to discounted travel on public transport, saving 50 per cent on fares.

A low-income family in social housing with 2 children in senior high school could be eligible for around $10,600 in Queensland Government concessions in 2022–23, including up to $590 in school textbook and resources allowance, a $175 Cost of Living Rebate on their electricity bill and an average rental benefit of around $9,900.

Housing affordability is a national issue requiring action from all levels of government.

Finding appropriate and affordable housing has become more challenging for many Australians in light of the exceptionally strong performance of the housing market in recent times.

The resulting higher prices, record low rental vacancy rates, and increased rents underscore the need for well-targeted government support and action.

Box 1.7 Housing affordability

The Queensland Government is committed to ensuring policy and regulatory settings support the delivery of quality housing at an accessible price for all Queenslanders, including through investments in affordable and social housing, an effective planning system, and direct support for home buyers.

Queensland's $15,000 Queensland First Home Owners' Grant is one of the most generous in Australia and is available for properties up to a value of $750,000, enabling more first home buyers to get into the market while also boosting housing supply.

Queensland's transfer duty settings are also highly competitive, with lower effective rates of duty than other states and territories for most home values and providing generous concessions for first home buyers worth up to $15,925.

Increased supply of land and development opportunities support more affordable housing. The Queensland Government is planning and supporting the delivery of new land supply and homes across Queensland communities through a broad range of initiatives, including through progressing a new legislative framework for Priority Growth Areas that will better integrate land use and infrastructure planning.

The 2022–23 Queensland Budget builds on existing actions with funding of:

- $150 million over 3 years to increase the Catalyst Infrastructure Fund (subject to a minimum co-investment by developers) to unlock development and increase the supply of housing in the state's Priority Development Areas
- $50 million over 3 years, $35 million held centrally, for the Growth Acceleration Fund to support the delivery of priority trunk infrastructure in the Caboolture West growth area and other targeted growth areas in South East Queensland

- $10 million over 2 years to support the Growth Areas Team to address land supply, population growth and property development challenges across South East Queensland.

The Queensland Government is backing the largest concentrated investment in social housing in Queensland's history, with $1.9 billion in funding over 4 years under the *Housing and Homelessness Action Plan 2021–2025*. This is supported by returns from the $1 billion Housing Investment Fund, a long-term fund with returns to drive new supply to support current and future social and affordable housing needs.

Under the Action Plan, the Queensland Government will deliver 7,400 new dwelling commencements across Queensland.

The 2022–23 Queensland Budget builds on this investment with further targeted support to address youth homelessness across Queensland, with $29.8 million over 4 years and $10 million per year ongoing. This will deliver new frontline service initiatives that provide housing with support for young people as they work toward social and economic independence. This is a key action under the Queensland *Housing and Homelessness Action Plan 2021–2025*.

1.5.2 Transport infrastructure that keeps pace with population

Over $7.3 billion is budgeted for transport portfolio capital investment in 2022–23, such as road, rail, port, bus, cycling and marine infrastructure to meet the needs of the growing population and mitigate risks, such as traffic congestion.

Critical projects include the Cross River Rail Project to improve travel across South East Queensland, construction of the Coomera Connector Stage 1 and Gold Coast Light Rail Stage 3 and priority upgrades to the Pacific Motorway.

The 2022–23 capital program also includes investment in several key projects on the Bruce Highway, improving safety and supporting jobs across the regions, including:

- $1.065 billion to plan, preserve and construct the Rockhampton Ring Road
- $1 billion to construct Cooroy to Curra (Section D)
- $662.5 million to upgrade the highway from 4 to 6 lanes between Caboolture-Bribie Island Road and Steve Irwin Way
- $500 million funding injection for the Bruce Highway, noting the Queensland Government's priority for upgrades between Mackay and Proserpine, and between Gladstone and Rockhampton
- $481 million to duplicate the highway from 2 to 4 lanes as part of the Cairns Southern Access Corridor (Stage 3), from Collinson Creek in Edmonton to the Wrights Creek area near Gordonvale
- $350 million for the Mackay Port Access upgrade, to improve access to the Port of Mackay while addressing urban congestion in North Mackay

- $336 million to increase the flood immunity, safety and efficiency of the Bruce Highway and future-proof the road to cater for growing traffic volumes at Tiaro.

These investments will connect businesses and regions across the state, mobilise people and goods, help enhance the state's productivity, and drive economic activity and job creation.

1.5.3 Towards the Brisbane 2032 Olympic and Paralympic Games

The announcement of Queensland as the host of Brisbane 2032 presents Queensland with the opportunity to showcase the state on the global stage and leave a legacy that will define the state for decades to come. In addition to the direct benefits and jobs from Brisbane 2032, the event will create ongoing benefits through increased trade and investment activity.

The 10-year horizon to Brisbane 2032 provides for the state to effectively progress planning, design and delivery of critical infrastructure which will both support South East Queensland's long-term growth and enable successful delivery of Brisbane 2032. The Queensland Government continues to work closely with Games Partners, including the Australian Government, on funding arrangements for Brisbane 2032 as part of this critical planning work.

The establishment of the Organising Committee for the Brisbane 2032 Olympic and Paralympic Games (OCOG) in December 2021 and inaugural meeting of the OCOG Board in April 2022 were important milestones for Brisbane 2032. A key priority for the OCOG Board is securing third party funding arrangements so its responsibilities for delivering Brisbane 2032 are achieved on a cost neutral basis.

To support effective planning for Brisbane 2032, the government is investing $59.3 million over 4 years and $4.7 million per year ongoing for the Brisbane 2032 Taskforce to lead activities across the Queensland Government. This will support preparation of the 2032 Games Legacy Program and planning and design of infrastructure to support delivery of Brisbane 2032, including venues and athletes' villages. It will also support priority transport projects being delivered in South East Queensland to manage growth in the region and support the Games transport task.

The 2022–23 Queensland Budget provides $31.4 million over 2 years from 2023–24 to extend the 2032 High Performance Strategy to help prepare elite Queensland athletes to achieve world class success at Paris 2024 and leading up to Brisbane 2032.

A further $100 million over 4 years is being invested to establish the Go for Gold Fund (School Sports Infrastructure). This program will deliver new and upgraded sports infrastructure for schools across the state, with a focus on encouraging sports participation.

1.5.4 Protecting Queensland's environment

Queensland has a diverse natural environment that underpins the economy and allows Queenslanders to enjoy recreational activities, events and sports that support wellbeing.

To ensure protection of this valuable space, the government has committed $262.5 million over 4 years to continue delivery of *Queensland's Protected Area Strategy 2020–2030*, providing conservation and carbon positive outcomes. This 10-year plan is directly supporting the growth, better management and sustainability of the state's protected areas.

Resource recovery and recycling policies and initiatives, with an investment of $291.8 million over 4 years, will contribute to implementation of waste management plans, expand resource recovery programs and support environmental activities.

Queensland has also committed to the target of zero net emissions by 2050, consistent with the national commitment to this target. The Budget also provides an additional $14 million over 2 years for a community-based pilot program to reduce emissions by partnering with local government and industry.

Biodiversity is an invaluable part of Queensland's environmental heritage. To ensure that Queensland's precious wildlife remains protected, the government is providing $14.7 million over 4 years and $1 million per year ongoing to continue the Saving Queensland's Threatened Species Program.

A further $24.6 million over 4 years and $1 million per year ongoing will also be invested into continuing implementation of the *South East Queensland Koala Conservation Strategy 2020–2025*, including an increased commitment to the South East Queensland Wildlife Hospitals that help rescue and rehabilitate sick and injured koalas.

Recognising its significant environmental and economic importance, the Queensland Government continues to invest in the protection of the Great Barrier Reef. Last year, the Queensland Government committed $270.1 million over 5 years to 2025–2026 to continue the Queensland Reef Water Quality Program, which funds a range of projects working with industry, agricultural producers and communities. The government is also working with councils and the urban development industry to better manage urban run-off.

2 Economic performance and outlook

Features

- The rollout of COVID-19 vaccines and substantial fiscal and monetary stimulus supported a strong rebound in global and national economic growth in 2021. However, the Queensland economy and labour market has outperformed the rest of the nation.
- Strong demand, particularly for goods, combined with severe supply chain disruptions saw global inflationary pressures surge in the latter half of that year. This has prompted central banks, including the Reserve Bank of Australia, to begin monetary policy tightening from the historically low settings in place during the pandemic, to dampen excessive demand while allowing supply chains to hopefully regularise.
- Surges in Omicron variant cases in early 2022, major flooding in South East Queensland, and the Russian invasion of Ukraine and subsequent global sanctions have all impacted the supply side of the economy and exacerbated inflationary pressures.
- The Omicron outbreaks in early 2022 impacted activity and the Queensland economy through widespread initial impacts on labour supply, feeding into some supply chain disruptions. However, Queensland's domestic economic activity still rose in the first quarter of 2022, to be 7.8 per cent higher than its pre-pandemic level, and maintained its stronger performance compared with the major southern states during the COVID-19 crisis.
- The overall economic impact of the floods in February/March 2022, estimated to be around $1 billion, or ¼ percentage point of Queensland's Gross State Product (GSP), is expected to be relatively limited compared with previous major natural disasters as key mining and agriculture regions outside of South East Queensland were mostly unaffected.
- Despite Queensland recently experiencing subdued population growth, the state has seen elevated levels of net interstate migration to Queensland during the pandemic, which has helped support overall population growth and activity.
- On balance, after rising 2.0 per cent in 2020–21, the Queensland economy is now forecast to grow by a further 3 per cent in 2021–22, slightly slower than the 3¼ per cent expected at the time of the 2021–22 Budget Update, reflecting the combined impacts of the 3 major shocks experienced in the first half of 2022.
- Queensland's GSP growth is then forecast to average 2¾ per cent per annum over the rest of the forward estimates, driven mainly by continued growth in the domestic economy.
- Consistent with the ongoing robust growth in domestic activity, in year-average terms employment is forecast to grow by 4¾ per cent in 2021–22—its strongest rate in 15 years—followed by further solid growth of 3 per cent in 2022–23.
- After falling to 4½ per cent in 2021–22, the state's unemployment rate is forecast to remain low across the rest of the forward estimates, between 4 and 4¼ per cent, as sustained employment growth and a pick-up in wages growth keep the participation rate elevated.

2.1 International conditions

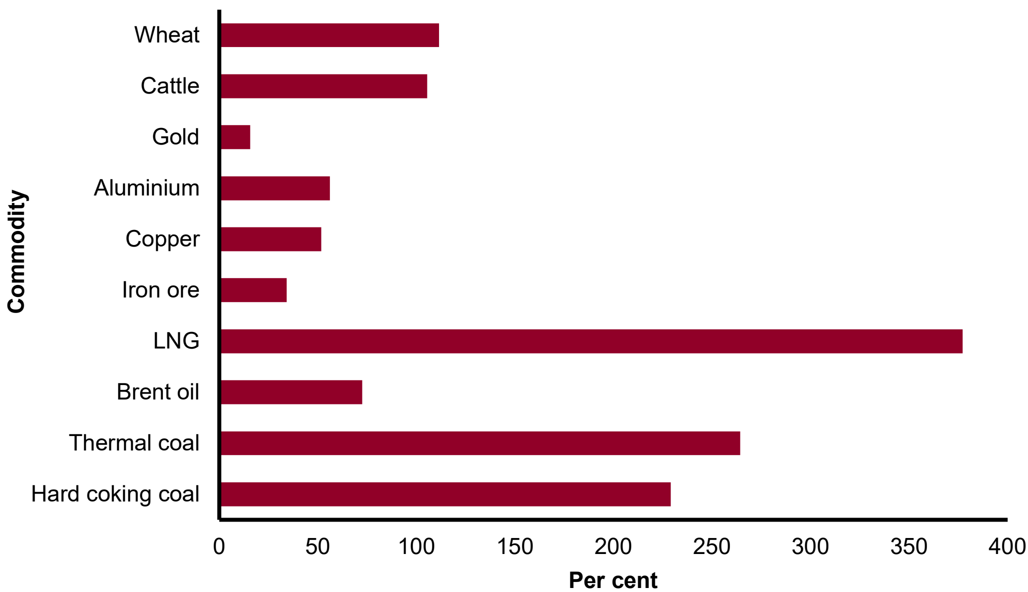
The global economy has undergone immense change since last year's Budget, including a range of key factors impacting significantly on global economic conditions since the 2021–22 Budget Update in December 2021.

At the time of the 2021–22 Budget there were clear signs that the global economic recovery from COVID-19 had begun, with the ongoing rollout of vaccines and substantial fiscal and monetary stimulus programs supporting strong rebounds in sentiment and economic activity. The International Monetary Fund's (IMF) latest estimate indicates global growth rebounded by 6.1 per cent in 2021, following the COVID-19 driven fall of 3.1 per cent in 2020.

Throughout 2021 it became evident that inflationary pressures were building in many advanced economies, with regions including the United States and Europe recording their highest annual inflation in more than 40 years. Strong demand, particularly for goods, combined with severe supply chain disruptions, contributed to elevated inflationary outcomes.

Russia's invasion of Ukraine and ongoing impacts of COVID-19 in China, with several cities in China re-entering strict COVID-19 lockdowns, have exacerbated global supply chain disruptions, adding further upward pressure to global inflation. Russia's and Ukraine's positions as significant producers and exporters of various commodities, including crude oil, natural gas, coal, iron ore and wheat, have contributed to sharp global price rises for these commodities (Chart 2.1).

Chart 2.1 Commodity price growth (January 2020 to May 2022)[1]



Note:

1. Percentage change, in A$ terms.

Sources: Refinitiv, Platts and Meat and Livestock Australia.

While these inflationary pressures were initially thought to be largely transitory in nature, it became increasingly evident that they had become more embedded in the global economy and central banks responded. As a result, there has been a global move to sharply raise interest rates, with many central banks beginning to normalise monetary policy from the historically low 'emergency' settings in place during the pandemic.

Reflecting the inflationary pressures and rising interest rates, along with Russia's invasion of Ukraine and its subsequent spillover effects to broader economic activity, the IMF in April 2022 revised down its most recent forecasts for global growth to 3.6 per cent in both 2022 (down from 4.4 per cent) and 2023 (down from 3.8 per cent). Echoing similar sentiments as the IMF, more recently, the World Bank also downgraded its global growth outlook in 2022 (to 2.9 per cent, down from 4.1 per cent) and 2023 (to 3.0 per cent, down from 3.2 per cent).

In response to the strongest inflation in the country in more than 40 years, the rise in interest rates in **the United States** has been amongst the most aggressive. The United States 2 year Treasury bond yield has risen around 300 basis points since the beginning of September 2021, to be near its highest levels since 2007.

The IMF downgraded its forecast for United States Gross Domestic Product (GDP) growth by 0.3 percentage point in both 2022 and 2023, partly reflecting the expected impacts of higher interest rates. While employment and labour force participation in the United States have yet to return to pre-pandemic levels, the country's labour market is very tight, with the unemployment rate having fallen to 3.6 per cent and job vacancies remaining at a near record high level.

In **China**, the IMF expect GDP growth to slow from 8.1 per cent in 2021 to 4.4 per cent in 2022 and 5.1 per cent in 2023, with growth in 2022 impacted by extended COVID-19 lockdowns in major cities including Shanghai and Beijing.

The IMF has also revised down the **Euro area** and **United Kingdom's** (UK) GDP growth forecasts in 2022 by at least a full percentage point each, largely reflecting both jurisdictions' heavy dependence on Russian energy. The war in Ukraine is expected to be a major drag on Euro area growth in 2022, while **Russia** and **Ukraine's** economies are forecast to contract by 8.5 per cent and 35 per cent respectively in 2022.

The IMF forecast that **India's** GDP growth will slow from 8.9 per cent in 2021 to 8.2 per cent in 2022 and 6.9 per cent in 2023. These moderations in part reflect weaker domestic demand due to higher oil prices weighing on private consumption and investment.

Aggregate GDP growth of Queensland's **major trading partners** (4.2 per cent in 2022 and 4.3 per cent in 2023) is expected to be slightly stronger than the global average. This primarily reflects key trading partners such as China and India (which combined represented around 38 per cent of Queensland's merchandise exports in 2020–21) both being expected to record stronger economic growth across 2022 and 2023 than the global average.

However, there are substantial risks to the global economic outlook, largely centred around the resolution of the conflict in Ukraine (and related sanctions) as well as global central banks' ability to curtail some of the strongest inflation outcomes in decades. The impact on global demand from an aggressive and synchronised rise in global interest rates is a risk to the medium-term outlook.

Additionally, there remains ongoing risks associated with the COVID-19 pandemic. In particular, the recent lockdowns of major cities in China highlight the ongoing risks to health and economic activity, as well as flow-on impacts to global supply chains. Despite China's restrictions on the importation of Australian coal and other commodities, China remained Queensland's largest goods export market in 2020–21, representing 24 per cent of total merchandise exports.

2.2 National conditions

The Australian economy rebounded by 4.8 per cent in 2021 following the 2.2 per cent decline in GDP in 2020 as a result of the COVID-19 pandemic. Australia's economy has performed well since the onset of the pandemic compared with most other countries, supported by the relative success in containing outbreaks of the virus, significant fiscal and monetary policy support, and more recently, elevated commodity prices.

Strong rebounds in household consumption and dwelling investment were the main contributors to the rebound in Australia's economic growth in 2021. Substantial fiscal and monetary stimulus, including national and state level support enabling employers and employees to remain engaged throughout the pandemic, assisted the rebound in consumption.

In the dwelling sector, investment in alterations and additions was particularly strong, rising 17.8 per cent in 2021 to a record level. The pandemic driven increase in work-from-home arrangements, combined with the inability to travel overseas and record low interest rates, resulted in many Australians choosing to invest substantially in their own homes.

The economic recovery is continuing in 2022, with GDP up a further 0.8 per cent in March quarter 2022. This recovery has been underpinned by high vaccination rates, accumulated savings throughout the pandemic, increased wealth due to higher housing and equity prices, record amounts of construction work in the pipeline and a strong labour market.

The national labour market has proved resilient throughout the pandemic. The unemployment rate has averaged 3.9 per cent in the 3 months to May 2022, its lowest level since the inception of the monthly series in 1978, while employment has surged to beyond its pre-COVID level and the participation rate is at a record high.

However, the pace of recovery in the labour market has differed across states and territories. Stronger health outcomes and rising commodity prices have seen employment in Queensland and Western Australia in May 2022 increase 206,000 persons and 94,200 persons respectively since March 2020, combining for 59 per cent of nation-wide employment growth over the period.

In contrast, the extended lockdowns enforced in New South Wales and Victoria throughout September quarter 2021 hindered the recoveries in those states, with employment up 134,000 and 72,600 persons respectively since March 2020.

Similar to other advanced economies, Australia experienced a build-up of inflationary pressures throughout 2021. Australia's annual headline consumer inflation rose to 5.1 per cent in March quarter 2022, the highest rate since 1995, excluding the impact of the introduction of the goods and services tax (GST) in 2000–01.

The stronger than anticipated inflation outcomes have brought forward the timing and number of expected cash rate increases in the second half of 2022 and throughout 2023. The capacity of Australian households to absorb the impact of higher interest rates, given the currently elevated levels of household debt, provides near-term uncertainty for the national economic outlook.

2.3 Key assumptions

Key assumptions underpinning the economic forecasts include:

- the RBA to continue its monetary policy normalisation over the course of 2022 and 2023
- the A$ exchange rate to move toward its assumed medium-term anchor of around US$0.75
- Brent oil prices to remain elevated in 2022 but ease towards US$75 per barrel by the end of 2024
- the Brisbane residential property price cycle to peak in June quarter 2022 and ease over the following 2 years, before growing again toward the end of the forward estimates
- according to the Bureau of Meteorology, the present La Niña weather pattern, which is resulting in substantial rainfall across eastern Australia, is expected to fade by early winter. Thereafter, average seasonal rainfall is assumed for the remainder of the 2022 and 2023 seasons
- Queensland Health will continue to prioritise management of the COVID-19 pandemic as well as the transition to the endemic phase, with a focus on progressive resumption to planned care, responding to strong demand for services and a return to pre-pandemic access to services
- in line with 2022–23 Federal Budget assumptions, Australia's international borders are expected to remain open to migrants and fully vaccinated tourists. This is expected to support further recovery in population growth, boost overseas tourism and education exports, and assist in filling skills gaps, but also increase tourism imports as Queenslanders return to overseas travel.

2.4 Queensland conditions and outlook

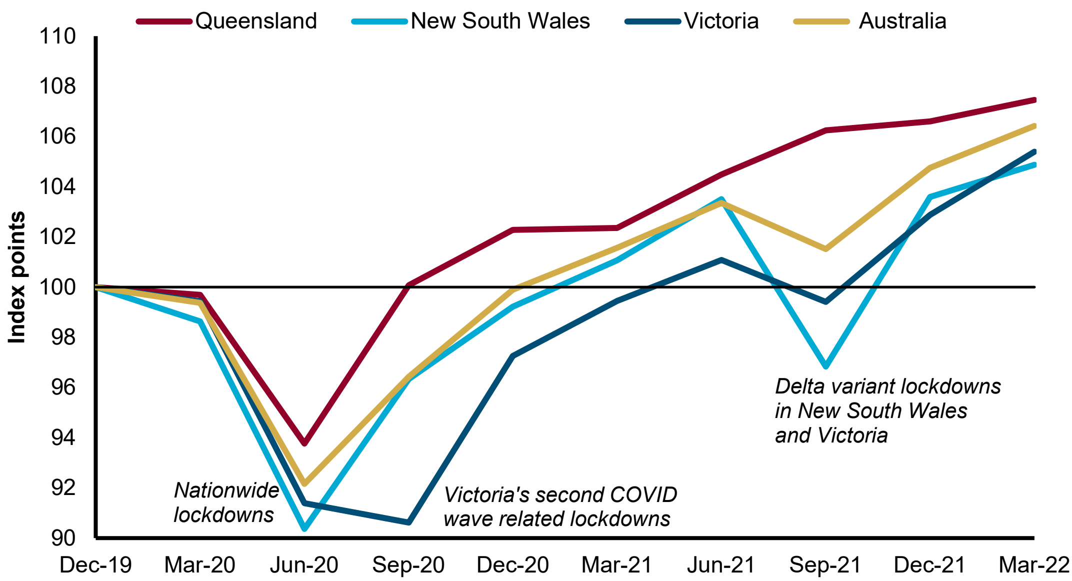
At the time of the 2021–22 Budget Update in December 2021, the state's economy and labour market were in a strong position and had outperformed the rest of the nation, underpinned by strong growth in household spending and dwelling investment.

In December quarter 2021, Queensland's domestic economy, as measured by state final demand, was 6.9 per cent higher than its pre-pandemic level in March quarter 2020, much stronger than the 5.1 per cent increase in the rest of Australia. In addition, employment in Queensland in December 2021 was more than 128,400 persons higher than pre-COVID levels and the unemployment rate had fallen to 4.6 per cent, the lowest in almost 13 years.

Since then, surges in Omicron variant cases in early 2022, major flooding in South East Queensland, and the Russian invasion of Ukraine and subsequent global sanctions have all impacted the supply side of the economy and further exacerbated the inflationary pressures that were emerging in the latter half of 2021.

The Omicron outbreaks in early 2022 impacted activity and the Queensland economy differently from previous COVID-19 outbreaks, with widespread initial impacts on labour supply feeding into some supply chain disruptions. However, Queensland's overall domestic economic activity still rose in March quarter 2022, to be 7.8 per cent higher than the pre-pandemic level, and maintained its stronger performance compared with the major southern states during the COVID-19 crisis (Chart 2.2).

Chart 2.2 Growth in state/domestic final demand[1]



Note:

1. Seasonally adjusted, chain volume measure, index points, December quarter 2019 = 100.

Source: ABS National Accounts.

The overall economic impact of the floods in February/March 2022 is expected to be relatively limited compared with some previous major natural disasters in Queensland, as key mining and agriculture regions outside of South East Queensland were largely unaffected. Queensland Treasury estimates the impact on economic output in 2021–22 to likely be around $1 billion, or ¼ percentage point of Queensland's GSP (see Box 2.1).

The impacts of the Russian invasion of Ukraine and associated sanctions are still evolving and remain highly uncertain. As a commodity exporter sharing several key markets with Russia, Queensland is expected to initially benefit from the higher commodity prices, which should support domestic income and spending. However, the broader impacts of any lower global growth induced by the conflict will likely have negative implications for the Queensland economy over the medium to longer term.

Offsetting some of the negative impacts of these major developments on the Queensland economy has been the high level of net interstate migration to Queensland, which is supporting overall population growth. In net terms, more than 40,000 people moved from interstate to Queensland over the year to September quarter 2021, a period which included the Delta variant lockdowns in New South Wales and Victoria. This momentum is expected to have carried through to the final quarter of 2021.

In addition, with the reopening of the international border, net overseas migration is expected to gradually recover in 2022 and 2023 and support activity, including by increasing labour supply in the context of the current tight labour market.

This population growth has supported jobs growth in the state. May 2022 Labour Force data showed that employment in Queensland had grown a further 77,700 persons in the first 5 months of 2022, taking the total increase in employment since pre-COVID March 2020 to 206,000 persons. The unemployment rate had fallen from a pre-COVID rate of 5.8 per cent to 4.0 per cent in May, at the same time as the state's participation rate had increased from 65.5 per cent to 67.2 per cent.

On balance, after rising 2.0 per cent in 2020–21, the Queensland economy is now forecast to grow by a further 3 per cent in 2021–22, slightly slower than the 3¼ per cent expected at the time of the 2021–22 Budget Update, reflecting the combined impacts of the 3 major shocks experienced in the first half of 2022.

Further solid growth of 2¾ per cent is forecast for 2022–23 as the dwelling construction boom regains momentum and overseas services exports rebound from the impacts of the pandemic and related travel restrictions of the past 2 years.

Queensland's GSP growth is then expected to average 2¾ per cent per annum over the remainder of the forward estimates, driven mainly by continued growth in the domestic economy.

Consistent with this ongoing robust growth in domestic activity, in year-average terms employment is forecast to grow by 4¾ per cent in 2021–22 and 3 per cent in 2022–23. Employment growth is expected to ease to around 1½ per cent per annum later in the forward estimates, as the state's dwelling construction cycle matures.

After falling to 4½ per cent in 2021–22, the state's unemployment rate is forecast to remain low across the remainder of the forward estimates, between 4 and 4¼ per cent, as sustained employment growth and a pick-up in wages growth keep the participation rate elevated at an estimated 66½ per cent in 2021–22, and 66¾ per cent in both 2022–23 and 2023–24.

Reflecting higher housing costs, global oil prices and ongoing supply chain disruptions, consumer price inflation in Brisbane is forecast to remain elevated in the medium term, averaging 5¼ per cent in 2021–22 and 3¾ per cent in 2022–23, before returning to within the RBA's target band for national inflation of 2 to 3 per cent over the remainder of the forward estimates.

Table 2.1 Queensland economic forecasts/projections[1]

	Actuals	Forecasts			Projections	
	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
Gross state product[2]	**2.0**	**3**	**2¾**	**2¾**	**2¾**	**2¾**
Employment[3]	2.4	4¾	3	1½	1½	1½
Unemployment rate[4]	6.8	4½	4	4¼	4¼	4¼
Inflation[5]	2.1	5¼	3¾	2½	2½	2½
Wage Price Index	1.6	2½	3½	3½	3½	3½
Population	1.0	1¼	1½	1½	1½	1½

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. Chain volume measure (CVM), 2019–20 reference year.
3. Comparable through the year seasonally adjusted employment growth rates to the June quarter are 9.9 per cent, 4¼ per cent, 1¼ per cent, 2 per cent, 1½ per cent and 1½ per cent, from June quarter 2021 to June quarter 2026 respectively.
4. Per cent, year-average.
5. 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.

Box 2.1 Economic impacts of the SEQ floods

Intense weather events, particularly floods and cyclones, are, unfortunately, an integral part of the Queensland climate. In addition to the potential for tragic loss of life, these events can cause substantial damage to private property and public infrastructure, as well as considerable losses to economic output, including substantial impacts on mining and agricultural production in some cases.

The severe flooding events experienced across the South East corner of the state in late February and early March of 2022 resulted in substantial damage to assets and infrastructure such as roads, business premises and residential property.

However, since this event mainly occurred in South East Queensland, its impact on the state's mining sector has been minimal. In addition, while the Wide Bay and Lockyer Valley regions saw substantial impacts on their agriculture and horticulture sectors, the overall impact in these industries has not been as significant to the statewide economy as seen in some previous disasters.

The impacts on overall economic output (as measured by GSP) from this latest event is estimated to be substantially less than for some other major natural disasters over recent decades. The impact on economic output in 2021–22 is estimated to be approximately $1 billion, or around ¼ percentage point of Queensland's GSP.

In addition to agriculture, other key sectors impacted in the regions include construction, tourism (including accommodation and hospitality) and a wide range of other services industries, such as wholesale trade, retail trade, transport and sectors related to recreational and entertainment activities. In some cases, this lost economic activity will likely be partly recouped over time as people defer their expenditure. In other key sectors, such as agriculture and tourism, this is likely to be more of a permanent loss of economic output.

In comparison, the 2010–11 floods and Severe Tropical Cyclone Yasi resulted in flooded coal mines, extensive damage to rail transport and port operations, reduction in sugar, horticulture, and other crop harvests, as well as severely impacting tourism across the state. That event significantly reduced economic output, estimated at the time to be equal to around 2¼ percentage points of GSP.

Similarly, the impact of Severe Tropical Cyclone Debbie, which saw coal rail lines shut for an extended period and major damage to tourism infrastructure in the Whitsundays, was estimated to be around ¾ percentage point of GSP, spread across 2016–17 and 2017–18.

Financial impacts of the 2022 floods on the 2022–23 Queensland Budget, including the costs to rebuild damaged roads and local government infrastructure, as well as assisting individuals, families and businesses impacted by the disasters, are addressed in Chapter 3.

2.4.1 Household consumption

Following the nationwide lockdowns in 2020, a combination of factors, such as strong labour market conditions, substantial government stimulus and acceleration in asset prices, placed household balance sheets in a strong position and elevated savings. As shown by Chart 2.3, these improvements in household income and wealth led real household consumption in Queensland to generally strengthen over this period, and by the end of 2021 was 6.8 per cent above pre-pandemic levels.

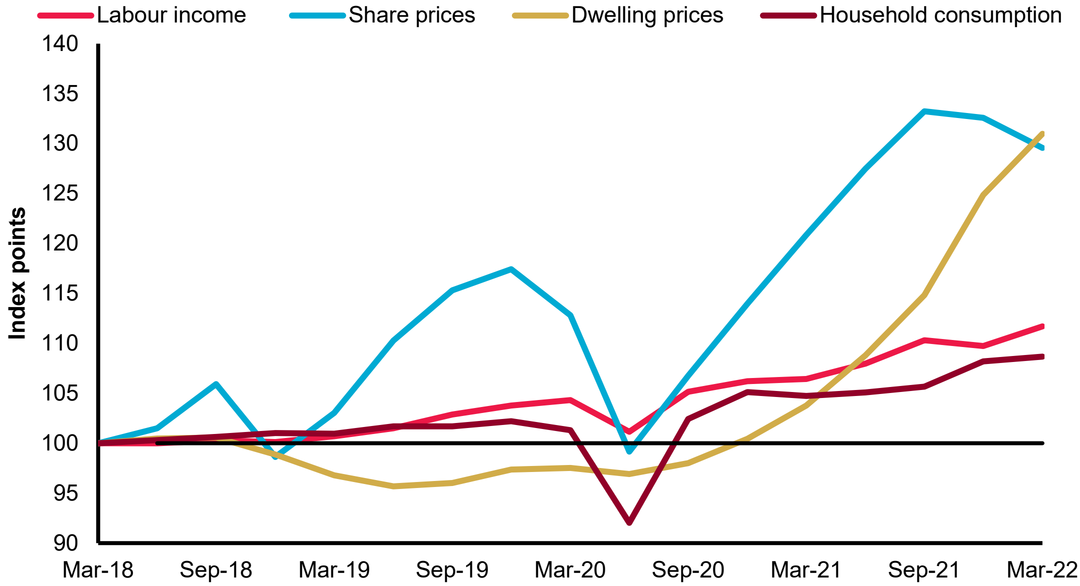
The Omicron variant outbreaks in early 2022 and related supply chain disruptions, as well as rising inflationary pressures and temporary impacts from the severe flooding events in South East Queensland, weighed on household spending intentions and constrained consumption growth in March quarter 2022. However, strong outcomes in the first half of 2021–22 are still expected to lead to year-average growth of around 3¼ per cent in that year.

Since the start of the pandemic, there has been a shift towards increased spending on some discretionary items such as recreation, clothing and footwear, and household furnishings and equipment, while border closures and virus restrictions had severely reduced Queenslander's spending on transport services. The recent reopening of the international borders, which will allow Queenslanders to again travel and spend overseas, is expected to result in a re-adjustment of the composition of expenditure seen during the COVID-19 crisis over the rest of 2022 and into 2023.

Driven by sustained growth in labour income, a lagged impact of the terms of trade boom, a pick-up in population growth and further strong growth in dwelling construction, real consumption growth in Queensland is expected to remain solid at around 2¾ per cent in 2022–23.

As monetary policy tightens and the dwelling construction cycle matures, consumption growth is expected ease to around 2¼ per cent in 2023–24.

Chart 2.3 Queensland's[1] key household income indicators (labour income[2], share prices[3], dwelling prices[4]) and household consumption[5]



Notes:

1. Index points, March quarter 2018 = 100.
2. Seasonally adjusted nominal compensation of employees deflated by the household consumption deflator.
3. ASX200 Accumulation Index deflated by the household consumption deflator.
4. ABS Residential Property Price Index, Brisbane, deflated by the household consumption deflator.
5. Chain volume measure, quarterly, seasonally adjusted.

Sources: ABS National Accounts, Residential Property Price Indexes and Refinitiv.

2.4.2 Dwelling investment

Dwelling investment rebounded strongly from the pandemic-induced low during the nationwide lockdowns in June quarter 2020, rising 30.6 per cent over the year to June quarter 2021. The boom in dwelling investment was evenly split between the construction of new dwellings and renovation activity.

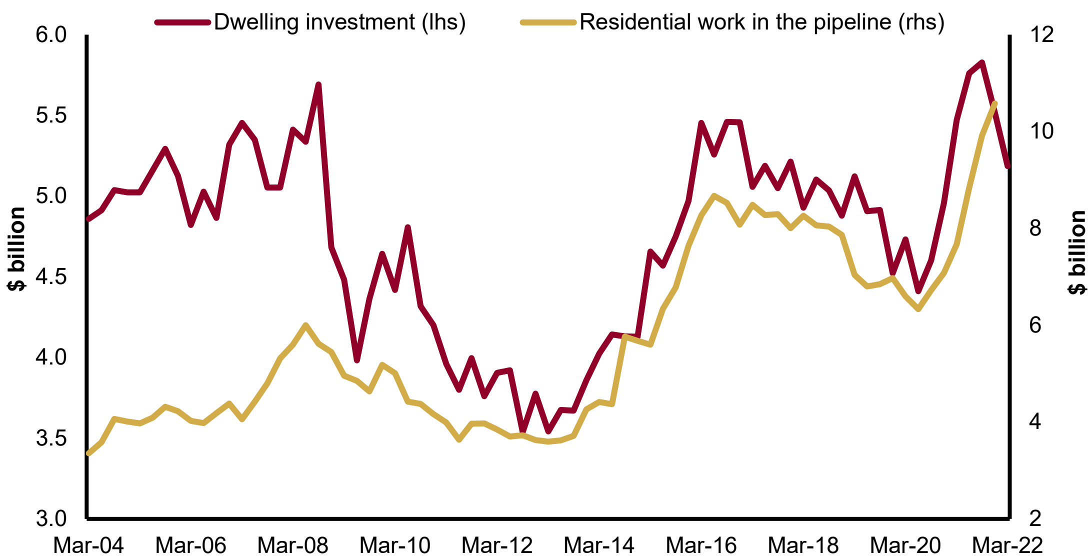
Renovation activity in Queensland has more than doubled to record levels since 2013, with households having preferred to improve existing homes rather than build new homes. In 2015 and 2016, renovation activity accounted for around one third of dwelling investment in Queensland. However, more recently in 2020 and 2021, renovation activity has risen to almost half of all dwelling investment, just below new and used construction.

The combination of record low interest rates, indications by the RBA that rates would remain low for an extended period and generous government incentives underpinned the boom in dwelling investment. Measures such as the Queensland Government's reaffirmed commitment to the $15,000 First Home Owners' Grant program and the $5,000 Regional Home Building Boost Grant, along with the Australian Government's First Home Loan Deposit Scheme and *HomeBuilder* Grant (which ended in March 2021), underpinned strong growth in residential construction and continue to support activity.

Reflecting this strong demand, there was a record $10.6 billion of residential work in the pipeline in December quarter 2021, easily eclipsing the previous record in 2016 during the inner-city apartment boom in Brisbane (Chart 2.4). However, despite the record amount of work in the pipeline, dwelling investment fell in December quarter 2021 and March quarter 2022 (although remains elevated). This suggests that prevailing labour and material shortages, along with the recent severe flooding in South East Queensland, have partially constrained construction output in the near term.

Dwelling investment in Queensland is expected to grow strongly, by 10 per cent in 2021–22, with pandemic-related supply chain issues pushing a substantial portion of work in the pipeline into 2022–23, where dwelling investment is expected to grow a further 10 per cent. As the current backlog of work is completed, the anticipated further interest rate increases are expected to begin tempering dwelling construction activity from 2023–24 onwards.

Chart 2.4 Queensland's dwelling investment[1] and residential work in the pipeline[2]



Notes:

1. Quarterly, chain volume measures, seasonally adjusted.
2. Quarterly, nominal, original. December quarter 2021 data the latest available.

Sources: ABS National Accounts and Building Activity.

Box 2.2 Housing and rental market dynamics

Population dynamics impacting the housing and rental markets

Despite the easing of overall population growth, strong net interstate migration and higher population growth in some key regions has contributed to the strength of activity in the housing and residential construction sector.

Exacerbating the housing market challenges, rental vacancy rates are at historic lows across many Queensland regions, with a similar phenomenon apparent nationally. The sharp decrease in the rental vacancy rate, along with strong house price growth, has seen rents also rise sharply across Australia and Queensland.

According to SQM Research, the residential rental vacancy rate in Brisbane dropped to 0.7 per cent in May 2022, the lowest in decades. The vacancy rate in Brisbane has been on a downward trend since the end of 2016. However, this trend accelerated during the COVID-19 pandemic.

These trends have also been consistent across most of Queensland's key regions. As of May 2022, Cairns (0.5 per cent), Central Queensland (0.4 per cent), North Queensland (0.8 per cent), Southern Queensland (0.4 per cent), Sunshine Coast (0.6 per cent), Toowoomba (0.3 per cent) and the Gold Coast (various sub-regions between 0.6 per cent and 0.3 per cent) all had vacancy rates fall below one per cent.

During the pandemic, growth in the rental stock in Brisbane slowed significantly before declining, which along with continued population growth, caused rental vacancies to fall sharply. A recent speech by Luci Ellis, an Assistant Governor of the Reserve Bank, highlighted survey data which showed that the average household size has fallen since the pandemic began. This is likely to be a key factor driving the very low rental vacancy rates across Queensland.

There are several hypotheses which may explain how the pandemic has lowered the average household size and consequently increased demand for rentals and decreased the supply of rental stock. These potential factors include (but are not limited to);

- The surge in first home buyers during the pandemic (partially driven by a switching of expenditure to housing due to reduced travel, etc.) would have seen a larger than normal number of young people formerly living with their parents moving into their own homes, potentially turning rental stock into an owner-occupier dwelling without an offsetting reduction in rental demand.
- Lockdowns, restrictions and increased working from home arrangements greatly increased the amount of time people spent at home and, therefore, the desire for more space at home. For example, people may have turned a spare bedroom or granny flat into an office instead of renting it out, reducing rental stock without reducing rental demand.

- People living or renting with others (share houses) may wish to be less crowded due a range of reasons including COVID-19 health concerns or the need to establish effective working from home arrangements in their dwellings. This is likely to have incentivised renters to reduce the number of people in their share house, or people to move into larger or separate dwellings. Recent survey data from the RBA shows a sharp decline during the pandemic in the proportion of Australian households which are share houses.
- Additionally, the substantial take-up of *HomeBuilder* resulted in large scale renovations on family homes, some of which may have required people to move out of their homes into rentals while renovations progress, increasing demand for rentals without an offsetting increase in supply of rental stock.

Data from the 2021 Census of Population and Housing, due to be released by the ABS from late June 2022 onwards, will provide useful insights on the specific changes in housing formation and the factors influencing these trends.

2.4.3 Business investment

The onset of the COVID-19 pandemic saw an initial sharp decline in business investment in Queensland, falling by 10.3 per cent during the year to March quarter 2021. Since then, the general trend in business investment has been upward, with an increase of 10.7 per cent in the year to March quarter 2022. This recovery was supported by strong levels of business confidence and low interest rates.

While business confidence has fallen from the exceptionally high levels of a year ago, it remains well above its long-run average level, while profitability and capacity utilisation remain strong.

Engineering construction, which primarily involves longer-term projects, held up well during the past 2 years and a considerable pipeline of committed work is yet to be done. Survey measures of business investment intentions have been revised higher while other leading indicators such as non-residential building approvals also remain strong. Finally, the prevailing tight labour market may also encourage firms to substitute capital for labour.

Underpinned by these factors and in line with the ongoing global and national recovery from the COVID-19 crisis, business investment is expected to continue to grow over the forecast horizon, despite the expected increases in interest rates.

2.4.4 Public final demand

Public final demand has grown strongly in recent years, averaging 4.8 per cent growth over the 6 years to 2020–21. In addition to the Queensland Government's substantial response to the COVID-19 pandemic, public final demand growth has been supported by a range of initiatives, including the National Disability Insurance Scheme, the NBN, substantial investment in roads and the Cross River Rail project.

State and local general government investment has made a significant contribution to the domestic economy since the start of the pandemic, rising by 7.7 per cent over the 2 years to March quarter 2022.

Growth in public final demand is expected to remain solid in 2021–22, driven by the construction of the Cross River Rail project and the ongoing rollout of spending measures implemented in response to COVID-19 to help support and stimulate the Queensland economy.

The 2022–23 Budget continues the commitment, consistent with the government's economic strategy, to provide the support, investment and reform needed to drive the transition from recovery to sustainable strong economic growth across the state.

The government's statewide response to COVID-19 provided $15.2 billion in support to businesses, workers and communities, while the $59.126 billion 4-year capital program outlined in this Budget will continue the essential productivity-enhancing economic and social infrastructure required to support ongoing growth and job creation.

2.4.5 Overseas exports and imports

Queensland's exports of goods and services are estimated to have grown by ¾ per cent in real terms in 2021–22, driven by a strong rebound in agricultural exports. Exports of goods and services are forecast to grow by 4 per cent in both 2022–23 and 2023–24, as international tourism and education exports recover from the COVID-19 induced lows.

Queensland's imports of goods and services are estimated to grow by 6 per cent in 2021–22, as the strong domestic economy encouraged goods imports. Overseas imports are forecast to grow strongly in both 2022–23 and 2023–24, as Queenslanders return towards pre-COVID levels of international travel.

Although real exports are estimated to rise modestly in 2021–22, nominal exports are expected to almost double to over $125 billion, supported by record high coal prices, elevated prices for oil (with LNG contract prices linked to oil prices), and strong growth in nominal metals and beef exports. The strong growth in nominal exports is expected to flow through to strong income growth in 2021–22, supporting domestic activity. As prices moderate, nominal exports are expected to moderate over the forward estimates but remain above 2019–20 levels.

Coal

Queensland's coal export volumes have held up well despite restrictions on Chinese coal imports from October 2020. By November 2021, almost 90 per cent of the reduction in Queensland export tonnages to China had been offset by increased exports to other countries, including India (up 17.2 million tonnes (Mt) to 58.1 Mt), Japan (up 11.5 Mt to 47.8 Mt) and South Korea (up 8.9 Mt to 32.7 Mt).

Sustained exceptionally high prices for both metallurgical and thermal coal in late 2021, and so far in 2022, have tempered demand for coal, causing export tonnages to fall between December 2021 and April 2022 by 7.9 Mt (or 9.4 per cent) compared with the same period a year earlier.

Despite this easing in export tonnages, the value of Queensland overseas coal exports has more than doubled over the past year, to $52.3 billion in the 12 months to April 2022. This has been driven by substantial increases in the prices for all 3 major types of coal, which are all near historic highs. Global supply issues due to COVID-19, and more recently Russia's invasion of Ukraine, combined with recovering global demand have resulted in the record price spike.

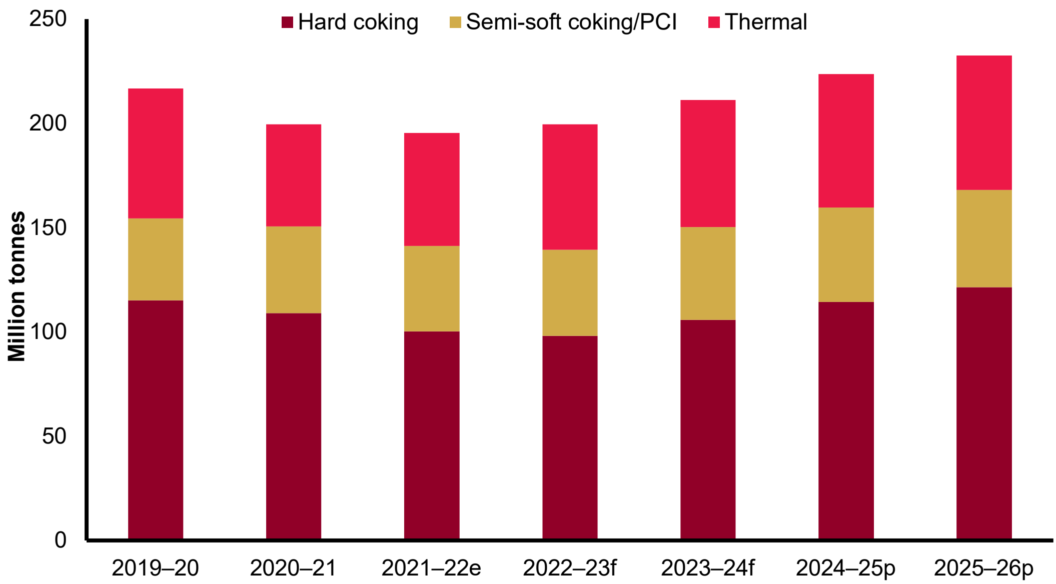
Since September 2021, the spot price for benchmark premium hard coking coal has averaged around US$432 per tonne, well above the historical average of around US$150 per tonne across the 7 years prior to the onset of COVID-19. Similarly, the spot price for benchmark thermal coal since September 2021 has averaged around US$159 per tonne, compared with the pre-COVID historical average of around US$60 per tonne.

As a result of the sustained higher prices in recent months, combined with some supply disruptions due to Omicron in early 2022, Queensland's coal export volumes are estimated to have fallen by 3¾ per cent in 2021–22 (Chart 2.5). As coal prices return to more sustainable levels, Queensland's coal exports are forecast to recover modestly in 2022–23 (up by ¾ per cent) and then grow more strongly in 2023–24 (up by 6½ per cent).

Restrictions on Chinese coal imports are assumed to remain in place over the forecast period. However, as noted above, Queensland's coal exporters have been successful in finding alternative markets and have benefitted substantially from surging prices.

Looking further ahead, the volume of Queensland's coal exports is projected to continue to grow solidly in 2024–25 and 2025–26, especially hard coking coal, supported by continued industrial production growth in emerging markets.

Chart 2.5 Queensland coal exports[1]



1. 2019–20 and 2020–21 are actuals; 2021–22 is estimated actual.

Sources: Unpublished ABS trade data and Queensland Treasury.

LNG

The volume of Queensland's LNG exports is estimated to grow by a further 3¼ per cent to 23.7 million tonnes in 2021–22, as another colder than expected winter in the northern hemisphere boosted demand for gas.

The majority of Queensland's LNG exports are sold under long-term contracts linked to global oil prices, with several months lag. Global oil prices rebounded throughout 2021 as the unwinding of global production cuts was outpaced by a faster than anticipated recovery in global oil consumption. As a result, the prices for Queensland's LNG exports have rebounded sharply, which is expected to nearly double the value of LNG exports in 2021–22.

The Russian invasion of Ukraine sparked concerns about an oil supply shortfall in the market, which saw the Brent crude oil price rise above US$100 per barrel in February and peak at nearly US$140 per barrel in early March 2022. While numerous moves by the United States to boost global oil supply appear to have helped reduce market concerns to a degree, oil prices remain elevated above US$100 per barrel throughout April to June, which will push the value of LNG exports even higher in 2022–23.

Queensland's record LNG export volumes are expected to moderate only slightly in 2022–23, as sanctions on Russian gas exports cause the US to divert cargos from Asia to supply the tight European gas market, which in turn will tighten supply in Asia and maintain strong demand for Queensland's LNG.

Metals

The impact of COVID-19 on Queensland industrial metals production was minimal, although miners benefited from higher prices, and export volumes are forecast to be relatively stable across the forecast period. After modest growth in 2020–21, Queensland's metals exports are estimated to have fallen by 1¼ per cent in 2021–22, driven by a decline in exports of lead (down by 11¼ per cent) and zinc (down by 6 per cent), more than offsetting an increase in copper exports (up by 5 per cent).

A rebound in zinc exports (up by 7¼ per cent) and a modest recovery in aluminium (including bauxite and alumina) exports (up by 2½ per cent) are forecast to drive growth in metals exports by 2¼ per cent in 2022–23.

Metals exports are then forecast to be relatively flat over 2023–24 and 2024–25.

Agriculture

The volume of agriculture exports fell by around 7 per cent in 2020–21, driven by a sharp decline in beef exports, as improved rainfall encouraged producers to retain stock for breeding purposes. This follows dry conditions in previous years that had incentivised high production and depleted herd numbers. Reflecting the improved growing conditions, agriculture exports in Queensland are expected to return to growth in 2021–22, driven by cotton and other crop exports.

Beef exports are expected to grow modestly in 2021–22, as re-stocking and feeder demand at the saleyards contribute to record high domestic cattle prices, thereby making export prices relatively less competitive. Queensland beef production is likely to rebound in 2022, as new stock from spring 2020 and autumn 2021 reach processor weights, while processing rates are expected to remain steady due to some improvement in rainfall across key supply regions.

There is continued strong interest in Australian beef internationally, and with improving supply of processor-ready cattle, exports of beef are expected to grow modestly over the medium term. Australian beef will also enjoy greater access to the high value export market in the UK, following signing of the Australia-United Kingdom Free Trade Agreement in 2021.

Queensland cotton exports are expected to increase significantly in 2021–22, driven by high global prices and with favourable growing conditions resulting in a substantial increase in the area of cotton planted. Cotton exports are forecast to remain elevated in 2022–23, as the La Niña weather system, which delivered above average rainfall in cropping regions, sustains strong production.

Supply constraints in key sugar producing countries such as Brazil have led to elevated international prices and a reduction in global sugar stocks. Queensland's sugar exports are forecast to grow by 5¼ per cent in 2022–23, in response to these elevated global prices. Exports are expected to decline slightly in the following years as global prices moderate.

Services exports

The closure of international borders in early 2020 resulted in a collapse in international tourist and student arrivals, with overall services exports falling by $6.4 billion (43.7 per cent or equating to 1.8 per cent of GSP) during 2020.

The impact on overseas tourism spending was immediate, with a decline of $4 billion (79 per cent) during 2020. The impact on spending by international students was more gradual (down by $1.2 billion or 21.2 per cent) as many students were already in Australia and able to continue their studies.

The reopening of international borders should lead to a reversal of these trends over time. However, the recovery is expected to be gradual over the forecast horizon, as it will take some time for confidence to return to the international tourism market and for international transport capacity to recover.

Short-term international arrivals have increased substantially since late 2021 as the international border has reopened. In the 4 months to April 2022 however, international arrivals to Queensland had only recovered to 15.5 per cent of their pre-COVID levels during the same period in 2019. While it is expected the inflow of new international students will recover relatively rapidly, after several years of no inflows, it will take some time for total overall enrolments to return to pre-COVID trend levels.

Imports

Overseas goods imports rebounded strongly in 2020–21, driven by the significant rebound in economic activity following the easing of COVID-19 restrictions. This growth is expected to continue in the coming years, in line with solid domestic activity.

However, overseas services imports remained significantly constrained by the pandemic, with international travel bans in place for most of 2020 and 2021 preventing most Australians from travelling abroad. Ahead of the pandemic, spending by Queenslanders abroad on personal (non-education) travel totalled $8.5 billion in 2019. This fell to only $1.7 billion in 2020, a decline of $6.8 billion or 80.1 per cent.

In year-average terms, Queensland's overseas imports (goods and services) are forecast to rise by 6 per cent in 2021–22 and 12 per cent in 2022–23 as overseas travel begins ramping back up to pre-pandemic levels.

2.4.6 Labour market

Queensland's labour market has continued to perform exceptionally in the recovery from the COVID-19 crisis but this has also resulted in a very tight labour market throughout 2021–22. The job vacancy rate (the number of job vacancies as a proportion of the labour force) rose to a record high of 2.7 per cent in March quarter 2022, while the employment to population ratio reached 64.5 per cent in May 2022, its highest level since early 2009.

The unemployment rate has fallen to 4.0 per cent in May 2022, as it had in March 2022, to be at its lowest level since December 2008.

Driven by the state's strong recovery from the COVID-19 induced downturn in mid-2020, employment in May 2022 was 206,000 persons (8.0 per cent) above its pre-COVID level of March 2020, the largest rise of any state or territory.

This strong jobs recovery has also benefitted the youth (15-24 years) labour market, driving the year-average youth unemployment rate down from 14.5 per cent in March 2020 to 10.1 per cent in May 2022, its lowest since September 2009.

In addition, the spread of the Omicron variant in early 2022 resulted in the proportion of people working fewer hours than usual due to '*illness or injury or sick leave*' rising to 6.1 per cent in January 2022 and remaining materially higher than the 5-year pre-COVID average (of around 3.0 per cent) in February to May 2022. This exacerbated the labour supply issues already being felt across the state.

The severe flooding in South East Queensland and the Darling Downs in late February/early March further reduced available labour supply in the first 2 weeks of March. In March, there were 280,700 persons in Queensland who worked fewer hours than usual due to '*bad weather or plant breakdown*', equating to 10.3 per cent of total employment in the month.

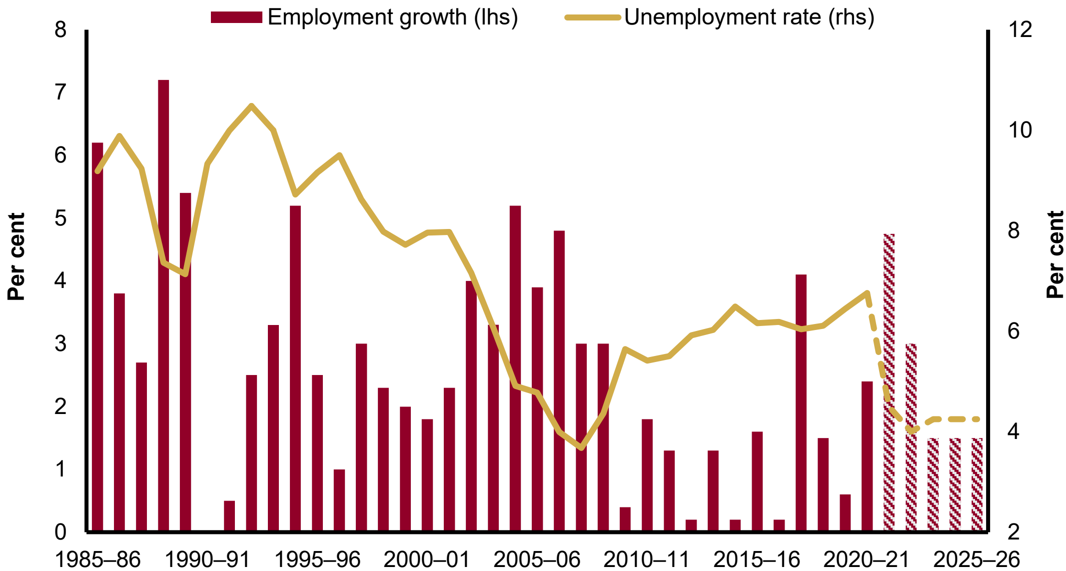
In comparison, during the previous significant flooding event in January 2011, 9.3 per cent of employed persons in Queensland worked fewer hours than usual due to '*bad weather or plant breakdown*'. Hours worked recovered strongly in April and May, rising by 3.3 and 2.3 per cent, to be 3.9 per cent above the pre-flood level in February 2022.

Strong jobs growth so far in 2021–22 is expected to result in year-average employment growth of 4¾ per cent (Queensland's strongest employment growth since 2006–07), before growth moderates somewhat to 3 per cent in 2022–23. Beyond 2022–23, as the economy returns to more sustainable growth rates, employment growth is expected to move broadly in line with population growth, at 1½ per cent per annum through to 2025–26 (Chart 2.6).

This strong employment growth is expected to see Queensland's participation rate rise from an estimated 66½ per cent in 2021–22 to 66¾ per cent in both 2022–23 and 2023–24. The participation rate is then expected to moderate slightly to 66½ per cent in 2024–25 and 2025–26.

Queensland's exceptional employment growth and tight labour market has pushed the unemployment rate down to an estimated 4½ per cent in 2021–22. The unemployment rate is forecast to fall further in 2022–23, averaging 4 per cent across the year, which would be Queensland's lowest year-average unemployment rate since 2007–08. In 2023–24, as employment grows broadly in line with population, the unemployment rate is forecast to increase slightly to 4¼ per cent and remain at that level in 2024–25 and 2025–26.

Chart 2.6 Employment growth and unemployment rate, Queensland[1]



Note:

1. Original, year-average. 2021–22 is estimated actual; 2022–23 and 2023–24 are forecasts; and 2024–25 and 2025–26 are projections.

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 has risen 7.0 per cent in the year ended April 2022, led by the Gold Coast (up 35,600 persons, or 10.6 per cent), supported by elevated internal migration and construction activity.

Moreton Bay – North (up 11.3 per cent), Logan–Beaudesert (up 10.5 per cent), Moreton Bay – South (up 6.0 per cent), Ipswich (up 5.7 per cent) and the Sunshine Coast (up 4.7 per cent) also recorded strong employment growth during the period.

Meanwhile, Queensland's regions have also generally recovered well from the COVID-19 pandemic, with key sectors supported by high commodity prices, solid domestic tourism, improved rainfall and the strong dwelling sector.

Employment in regional Queensland grew 1.9 per cent in the year ended April 2022, with Townsville (up 8.8 per cent) and Cairns (up 5.6 per cent) recording the strongest employment growth.

The average unemployment rate across regional Queensland fell 2.1 percentage points to 5.1 per cent in the year to April 2022.

The average regional unemployment rate in the year ended March 2022 of 5.0 per cent was regional Queensland's lowest unemployment rate since mid-2009, with Cairns (4.4 per cent), Townsville (3.2 per cent) and Wide Bay (6.7 per cent) all recording their lowest unemployment rates in more than a decade in March or April 2022.

Further, the resources-rich Mackay–Isaac–Whitsunday region recorded the lowest unemployment rate in the state, at only 2.4 per cent in April 2022.

Box 2.3 Participation and unemployment rate trends

The decision to seek work and therefore participate in the labour force is strongly influenced by the likelihood of finding employment. Reflecting the "encouraged worker effect", robust employment growth can lead to a higher participation rate, as prevailing labour market conditions make potential workers more confident of securing work.

A key driver of high labour force growth is population growth, including net interstate and overseas migration. Historically, periods of strong employment growth have coincided with high migration, as interstate and overseas residents relocate to Queensland to pursue better employment opportunities.

As a result, periods of strong jobs growth in Queensland do not always translate directly into a falling unemployment rate. Instead, employment growth encourages rising participation, including via migration, with many new labour force participants not finding work immediately. Additionally, many new participants may be entering the labour market for the first time or may be re-entering the labour force after a long time.

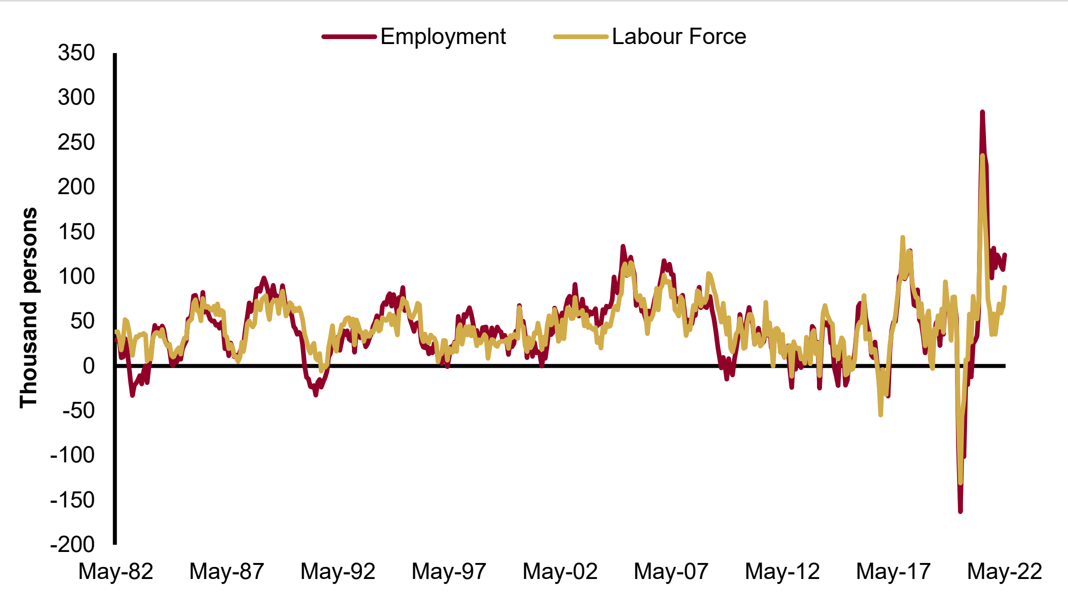
The strong recovery in Queensland's labour market from the initial COVID-19 shutdowns in early to mid-2020 has highlighted aspects of the encouraged worker effect. Over the 2 years between May 2020 and May 2022, employment in Queensland increased by 408,500 persons. At the same time, the participation rate increased by 5.6 percentage points, reflecting exceptionally strong growth in the labour force by 323,500 persons.

As a result, because the participation rate is now 1.7 percentage points higher than its pre-crisis level, the unemployment rate of 4.0 per cent in May 2022, while only marginally higher than the national average, is still slightly higher than some other states where employment growth and the increase in the participation rate has not been as strong.

Chart 2.7 highlights the extent to which labour force growth in Queensland has moved in line with employment growth over time, thereby tempering changes in the unemployment rate at times, despite strong jobs growth.

These trends highlight that the unemployment rate is an imperfect measure of labour market performance, and should be considered alongside other metrics, including employment growth and the participation rate.

Chart 2.7 Growth in Employment and the Labour Force, Queensland[1]



Note:

1. Seasonally adjusted, Monthly, annual difference, thousand persons.

Source: ABS Labour Force Survey

2.4.7 Prices and wages

Annual growth in Brisbane's consumer price index (CPI) has been stronger than anticipated at the time of the 2021–22 Budget Update.

Brisbane's CPI strengthened to 2.1 per cent in 2020–21, up from 1.2 per cent during the height of the COVID-19 pandemic in 2019–20, to record the strongest increase since 2013–14. However, inflationary pressures have continued to build in 2021–22, with CPI rising by 6.0 per cent over the year to March quarter 2022, the strongest annual increase since 2001, following the introduction of the GST.

While price increases have been broad-based, the acceleration in Brisbane's annual CPI growth has been primarily driven by sharp rises in housing and automotive fuel prices. Strong demand for housing construction in addition to labour and material shortages have resulted in new dwelling purchase costs for owner-occupiers rising by 22.8 per cent over the year to March quarter 2022, while record low vacancy rates have also seen Brisbane rents rise faster than most other capital cities. Together, these housing components contributed 2.0 percentage points to Brisbane's 6.0 per cent annual rise in the CPI in March quarter 2022.

Meanwhile, global oil prices rose sharply in early 2022, caused by Russia's invasion of Ukraine impacting global supply at a time when the ongoing easing of COVID-19 restrictions was strengthening global oil demand. Prices are likely to remain elevated in the near term as the global economy continues to recover and uncertainty remains about Russia's invasion of Ukraine.

While housing and automotive fuel have been the key drivers of headline consumer inflation, more recently food prices have also begun to surge. While COVID-19-related supply chain disruptions and high transport and fertiliser costs have contributed to various food price increases, the impact on production from severe flooding in Queensland and New South Wales in March quarter 2022 has also been a significant factor.

Brisbane's CPI growth is expected to average 5¼ per cent in 2021–22. If realised, this would be the strongest year-average increase in Brisbane's CPI since 2000–01. Beyond 2021–22, the gradual resolution of global supply chain issues is expected to ease price pressures for building materials, slowing growth in new dwelling purchase costs for owner-occupiers. This, in combination with slowing growth in automotive fuel and food prices as global oil prices normalise and agricultural production recovers from the impacts of the early 2022 floods, is expected to result in CPI growth moderating to 3¾ per cent in 2022–23 and 2½ per cent in 2023–24. A slower than expected resolution to material and labour supply issues within the construction industry, as well as the global oil price remaining elevated for longer, are risks to the outlook for CPI growth.

Queensland's wage price index (WPI) accelerated to 2.5 per cent over the year to March quarter 2022, up from an average of 1.6 per cent in 2020–21. Queensland's WPI is expected to strengthen to 2½ per cent in 2021–22. and strengthen further to 3½ per cent over the remainder of the forecast period.

Box 2.4 Impacts of surging inflation

Global trends

Consumer price inflation began to accelerate in many economies in 2021. This acceleration was driven by both demand and supply side factors, with significant fiscal and monetary stimulus in response to the COVID-19 pandemic driving an increased demand for goods (as lockdowns reduced consumers' ability to spend on services) at the same time that global supply chains were severely strained as a result of the pandemic.

More recently, Russia's invasion of Ukraine and developments in China, with several major cities re-entering strict COVID-19 lockdowns, have exacerbated global supply chain disruptions, adding further upward pressure on global inflation.

At 5.1 per cent over the year to March quarter 2022, annual CPI growth in Australia is at its highest in more than 2 decades. However, it is still considerably lower than many other advanced economies (Chart 2.8).

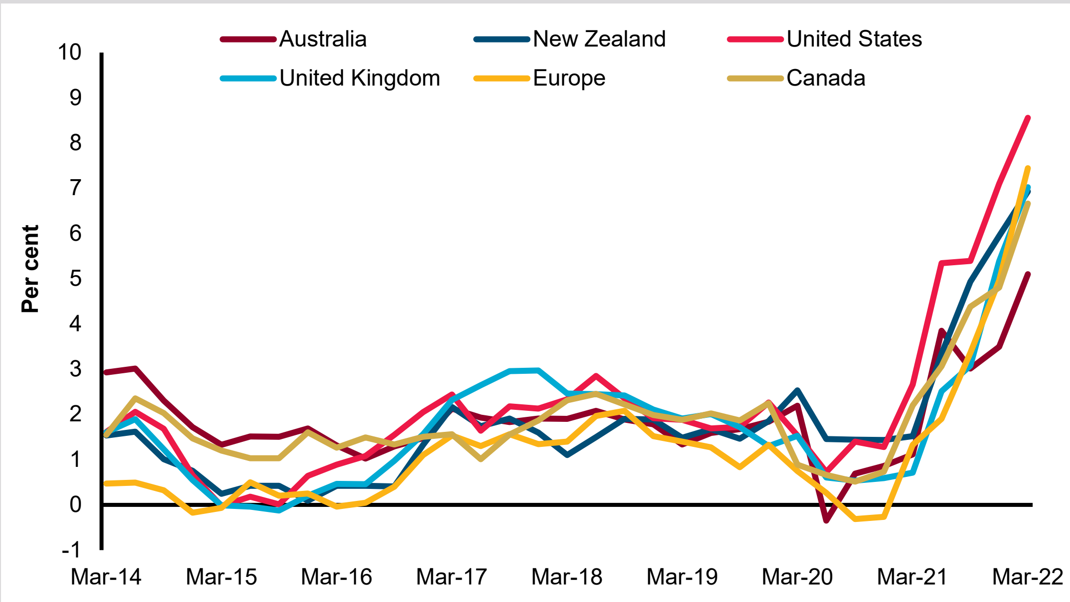
Annual inflation is at or near multi-decade highs across a range of advanced economies, including:

- United States – 8.6 per cent in May
- Canada – 6.8 per cent in April
- Euro area – 8.1 per cent in May
- United Kingdom – 9.0 per cent in April
- New Zealand – 6.9 per cent in March quarter 2022

While inflation outcomes in some Asian countries have been more subdued than in western economies, they have also accelerated in early 2022.

Reflecting higher inflation expectations and the near-term likelihood of a period of central bank monetary tightening across many countries, global interest rates have also risen sharply in recent months.

Chart 2.8 Annual consumer price inflation by jurisdiction[1]



Note:

1. Australia and New Zealand data is a quarterly average, all other data is to the last month of each quarter.

Source: Refinitiv.

Global drivers

While global government stimulus and supply chain disruptions have been key factors contributing to these elevated rates of inflation, the surge in oil prices flowing through to higher automotive fuel prices has also been a significant contributor globally.

The price of Brent crude oil hit a low of US$5.62 per barrel during the height of the pandemic in April 2020. The gradual reopening of the global economy saw the price return to pre-COVID levels over the following year. More recently, the implementation of sanctions following Russia's invasion of Ukraine has added further upward pressure on oil prices, given Russia being one of the world's largest oil producing and exporting countries. The price of crude oil recently hit a high of US$140 per barrel in early March 2022, the highest since July 2008.

Rising global oil prices have flowed through to automotive fuel prices in Brisbane, with the ABS' measure of automotive fuel prices rising 36.7 per cent over the year to March quarter 2022, the strongest annual increase in more than 40 years. Despite only accounting for around 4 per cent of the Brisbane CPI basket, the annual price increase saw the component contribute 1.2 percentage points to annual growth in Brisbane's headline CPI.

The Australian Government's 6-month cut to the fuel excise will reduce the price of automotive fuel somewhat in the June and September quarters of 2022 with fuel prices expected to remain elevated while consumer demand remains high and the war is ongoing in Ukraine. While the main impacts on current measured inflation stems from rising oil prices, sustained higher input costs for business may also be passed on to consumers through other goods and services.

The prices of many other commodities have also surged in recent weeks and months, with many of these impacts exacerbated by the Russia-Ukraine conflict. Spot prices for hard coking and thermal coal have risen sharply to record highs, with the already tight global market impacted by the reluctance of buyers to purchase Russia's coal.

Going forward, these commodity/input price rises may flow through to higher production costs and therefore consumer prices. Recently tightened COVID-19 restrictions in multiple regions of China (consistent with the country's COVID-19 suppression strategy), including the major centres of Shanghai and Beijing, have raised concerns that global supply chains will be placed under further pressure in the near term, adding additional upward pressure to consumer prices.

Domestic trends

The cost of constructing a new dwelling or renovating in Queensland has surged since the onset of the COVID-19 pandemic and has been a key contributor to the recent acceleration in Brisbane's annual CPI growth.

Dwelling construction costs have risen due to increased demand for housing (in part driven by the increased use of work-from-home arrangements) while labour and materials supply shortages within the housing construction industry and associated supply chains have also placed upward pressure on prices.

The latest CPI data showed Brisbane *new dwelling purchase by owner-occupier* costs (a measure of construction costs for new dwellings) rose 22.8 per cent over the year to March quarter 2022, the strongest annual price increase since the inception of the series in 1998.

Given current economic conditions, sharp construction price rises are expected to continue for several quarters. This is reflected in the value of Queensland residential building work in the pipeline currently being at a record high level, labour market conditions being expected to remain strong, and labour and materials supply shortages being expected to linger while the global pandemic and Russia-Ukraine conflict continue.

While labour supply issues may ease in the medium term, global supply chain issues are expected to persist for some time. Further, demand for housing is expected to remain robust, supported by a resumption of overseas migration, low rental vacancy rates and continued use of work-from-home arrangements.

The existing inflationary pressures in the residential construction sector will be exacerbated by the recent South East Queensland flooding event, driving demand for already scarce materials and labour. It is estimated that 4,355 buildings suffered moderate or severe damage (at least 250 mm of water over the floorboards).

Supply disruptions due to COVID-19 and flooding in production areas of New South Wales and Queensland in early March have also resulted in sharp price increases for various foods more recently. In particular, fruit (up 5.2 per cent), vegetables (up 6.9 per cent) and meat and seafoods (up 5.3 per cent) recorded sharp price increases in March quarter 2022.

However, these specific price pressures are expected to be temporary as the impacts of supply disruptions ease.

2.4.8 Population

While Queensland's overall population growth slowed in 2020–21, net interstate migration and natural increase both grew in that year. However, international border restrictions curtailed net overseas migration.

The reopening of the international border in early 2022 is expected to drive a gradual recovery in overseas migration in 2022 and 2023, which is expected to reach pre-COVID levels later in the forward estimates as virus-related uncertainties dissipate, and travel logistics normalise over time.

Since the pandemic began, state border restrictions have had little impact on net interstate migration, with exemptions available for those wanting to move interstate. Queensland's net interstate migration throughout 2020–21 was the highest of any jurisdiction in Australia, consistent with the long-term trend of Queensland being a substantial net recipient of interstate migrants.

Queensland's relative success in controlling the spread of COVID-19 would have reduced concerns related to health outcomes or the risk of extensive lockdowns for those people wanting to move to Queensland. In addition, fundamentals that historically drive interstate migration, such as employment opportunities and housing affordability, had remained favourable in Queensland, particularly in comparison with New South Wales and Victoria, traditionally the dominant sources of interstate migrants to Queensland.

As a result, during the lengthy Delta variant lockdowns in New South Wales and Victoria, net interstate migration in Queensland rose to more than 16,600 persons in September quarter 2021, the highest quarterly increase on record across any state or territory in Australia.

Interstate migration is expected to have persisted at elevated levels in December quarter 2021 and, following some temporary impacts from Omicron and the South East Queensland floods in the first quarter of 2022, return to pre-COVID levels over time. According to Australian Government forecasts, in net terms, more than 88,000 people are expected to move from interstate to Queensland over the 4 years to 2025–26.

A slight elevation in the birth rate in the first 3 quarters of 2021 provided an upside to the population rise attributed to natural increase in Queensland, and this momentum is expected to be maintained in the near term. Following this, birth and death rates are expected to return to pre-pandemic levels over the remainder of the forward estimates.

Reflecting this combination of factors, after slowing to 1.0 per cent in 2020–21, Queensland's overall population growth is forecast to pick up to 1¼ per cent in 2021–22, strengthen to 1½ per cent in 2022–23 and stay at that rate over the rest of the forward estimates, in line with the expected return of international travel.

Box 2.5 Population growth

The impacts of the COVID-19 pandemic, particularly related to the international border closures, have led to slower national and Queensland population growth rates compared with historical standards (Chart 2.9).

Reflecting these factors, Queensland's overall population growth slowed to only 1.0 per cent in 2020–21, compared with average growth of around 1.7 per cent over the previous 4 years.

Despite this, Queensland remained the most attractive jurisdiction to live, with the strongest population growth of any state or territory during the recovery from the COVID-19 crisis. This was predominantly driven by strong growth in net interstate migration and highlights the importance of Queensland's strong health response and therefore the relative success it had in containing the spread of the virus until the majority of the population was vaccinated.

The latest Australia Bureau of Statistics (ABS) data show that Queensland's population grew to around 5.24 million persons as at 30 September 2021, to be 1.1 per cent higher over the year; much stronger than national growth of only 0.3 per cent over the same period.

Queensland was responsible for 83.8 per cent of total national population growth over the year and increased its share of the national population to 20.4 per cent, up from 20.2 per cent.

Recent population growth has been driven by strong interstate migration

Net interstate migration to Queensland over the year to September quarter 2021 totalled 40,620 persons, the highest annual net interstate migration since 1994. New South Wales and Victoria accounted for 90 per cent of net interstate migration over the year.

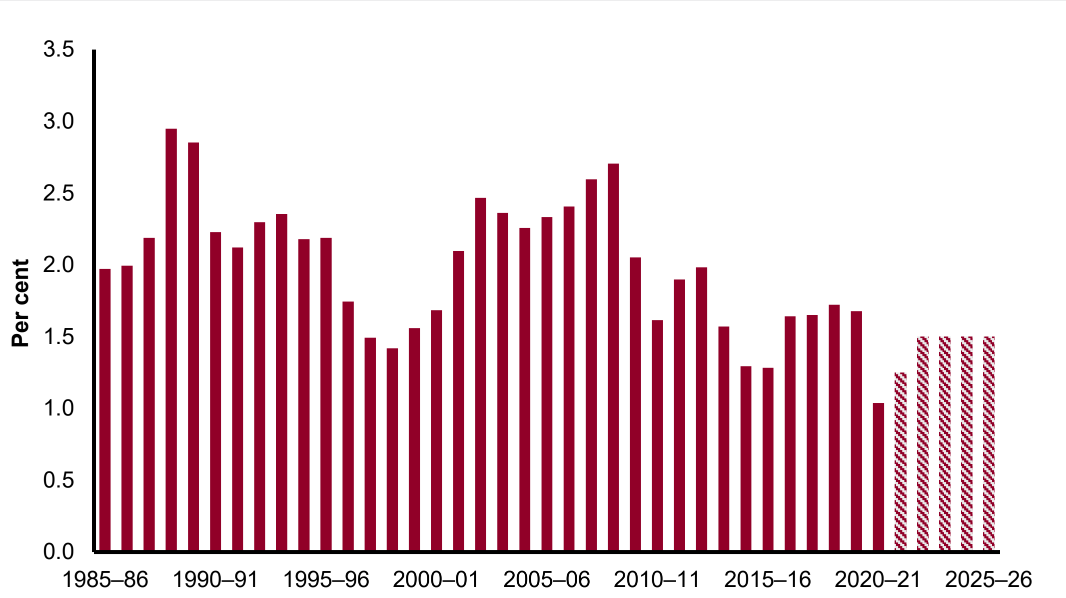
While COVID-19 impacts, including international travel restrictions, have resulted in a temporary loss of net overseas migration, and impacted overall population growth in the short term, Queensland's overall population is expected to continue to grow strongly over the medium term, as net overseas migration returns to more normal pre-COVID levels.

Reflecting these trends, Queensland's population growth is forecast to rebound to 1¼ per cent in 2021–22, before strengthening further to 1½ per cent in 2022–23 and stay at that rate of growth over the rest of the forward estimates (see population forecasts above).

As at 30 June 2021, approximately 1.4 million people lived in local government areas (LGAs) outside of South East Queensland, accounting for 26.6 per cent of the state's population.

Population growth varied across Queensland regions, with some regional LGAs growing faster than the state average, including Fraser Coast, Gympie and Livingstone.

Chart 2.9 Population growth, Queensland[1]



Note:

1. Annual percentage change. 2021–22 to 2023–24 are forecasts; 2024–25 and 2025–26 are projections.

Sources: ABS National, State and Territory Population and Queensland Treasury.

2.5 Risks to the outlook

The key risks to the outlook are centred around global geopolitics, potential ongoing impacts of the pandemic, as well as the global and national inflationary and interest rate environment.

In addition to ongoing geopolitical risks associated with Australia's trade relationship and tensions with China, the Russian invasion of Ukraine and resulting sanctions has raised global unrest, pushed up global commodity prices at a time when inflation rates remain elevated, and disrupted international trade and financial linkages.

Queensland has limited direct trade and financial links with either Ukraine or Russia and could be expected to benefit from the higher commodity prices in the short term.

However, there is a risk that any extended conflict could result in a decline in global growth and have negative implications for Queensland over the medium term. The IMF has already downgraded its global growth forecast in its April *World Economic Outlook*, partly as a result of this conflict.

Risks associated with the COVID-19 pandemic also remain. The world, including Queensland, remains vulnerable to any new variants of COVID-19 that may be more virulent.

Recent lockdowns of major cities in China due to COVID-19 outbreaks poses a risk to Chinese, and global, economic growth and this could exacerbate already significant supply chain bottlenecks during a period when commodity and consumer prices are rising strongly.

During the pandemic, considerable fiscal and monetary support was provided to cushion the economy from the economic fallout. This support is being unwound as economies recover. So far, this process has proceeded relatively smoothly.

It is expected that both global and Australian interest rates will rise significantly over the forecast horizon. While a gradual increase in interest rates is not expected to derail economic recovery, a sudden rise in inflation expectations or other inflationary shock may generate more rapid monetary tightening by central banks with adverse impacts on growth.

Table 2.2 Queensland economic forecasts[1], by component

	Actuals		Forecasts	
	2020–21	2021–22	2022–23	2023–24
Economic output[2]				
Household consumption	4.9	3¼	2¾	2¼
Dwelling investment	10.1	10	10	-3¾
New and used	5.3	13¾	13¾	-10¾
Alterations and additions	19.7	6	5¾	4½
Business investment	-4.2	7¼	3¾	3¼
Non–dwelling construction	-8.6	11	4½	5¼
Machinery and equipment	-2.7	3	1¾	2¼
Private final demand	4.3	4½	3½	1¾
Public final demand	2.9	5½	3½	4
State Final Demand	3.9	4¾	3½	2½
Overseas goods and services exports	-15.9	¾	4	4
Overseas goods and services imports	-2.6	6	12	10½
Gross state product	**2.0**	**3**	**2¾**	**2¾**
Employment[3]	2.4	4¾	3	1½
Unemployment rate[4]	6.8	4½	4	4¼
Inflation[5]	2.1	5¼	3¾	2½
Wage Price Index	1.6	2½	3½	3½
Population	1.0	1¼	1½	1½

Notes:

1. Unless otherwise stated, all figures are annual percentage changes.
2. CVM, 2019–20 reference year. The comparable nominal GSP growth rates are 1.3 per cent in 2020–21, 22 per cent in 2021–22, 2 per cent in 2022–23 and -1¾ per cent in 2023–24. The exceptionally strong growth in 2021–22 largely reflects the impact of surging commodity prices on nominal exports.
3. The comparable through the year employment growth rates to the June quarter (seasonally adjusted) are 9.9 per cent, 4¼ per cent, 1¼ per cent and 2 per cent from June quarter 2021 to June quarter 2024, respectively.
4. Per cent, year-average.
5. 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.

3 Fiscal strategy and outlook

Features

- Improving economic conditions since mid-2020 are expected to lead to a strong rebound in revenue in 2021–22, with revenue remaining elevated over the forward estimates compared to the 2021–22 Budget Update.
- The government is directing this additional revenue towards measures that address the increasing demand for key services, including a significant boost to funding of the health system and investment in strategies to unlock the growth potential of the Queensland economy to support job creation.
- Additional funding to support service delivery and economic priorities are being managed within the revenue uplift. Revenue uplifts arising from short-term factors, such as unusually high commodity prices and housing activity, are being directed to the restoration of fiscal buffers and investment in longer-term growth initiatives.
- A General Government Sector operating surplus of $1.915 billion is forecast in 2021–22, an improvement of $5.4 billion compared to the $3.485 billion deficit forecast in the previous Budget.
- The financial recovery from the impact of COVID-19 remains on track, with the operating position expected to regain a surplus in 2024–25.
- The General Government Sector ratio of net debt to revenue has improved with a drop to 16 per cent in 2021–22, a 10 percentage point reduction compared to the 2021–22 Budget Update. This follows progressive reductions in forecasts of the net debt to revenue ratio since the 2021–22 Budget.
- General Government Sector borrowings are expected to be $3.618 billion lower by 2024–25 than forecast in the 2021–22 Budget Update, and $4.480 billion lower than forecast in the 2021–22 Budget.
- Queensland is expected to deliver a lower General Government Sector net debt to revenue ratio than New South Wales or Victoria in 2022–23. Queensland's ratio of 27 per cent compares to 78 per cent for New South Wales and 145 per cent for Victoria.
- Steady improvements towards medium-term fiscal goals will limit the legacy impacts of the COVID-19 crisis and ensure debt levels remain sustainable.
- Throughout the pandemic crisis and recovery, Queensland's credit ratings with S&P Global (AA+) and Moody's (Aa1) have remained stable while Fitch has upgraded Queensland's rating (from AA to AA+). Sound financial management supports the credit rating and provides the capacity to respond to future economic and financial shocks, including the long-term impact of the pandemic.
- Queensland experienced significant flood events during the 2021–22 disaster season. Disaster related expenditure over the 5 years to 2025–26 is significant but will be partially offset by Commonwealth payments under disaster funding arrangements.

3.1 Fiscal outlook

The improving economic conditions since mid-2020 are expected to lead to a strong rebound in revenue in 2021–22, particularly from royalties and transfer duty. While some components of the revenue uplift are expected to be temporary, resulting from exceptionally high commodity prices and housing activity, revenue is expected to remain elevated over the forward estimates compared to the 2021–22 Budget Update.

In the 2022–23 Queensland Budget, the government has ensured that additional funding generated from the economic recovery is targeted to meet increasing demand for key services. This Budget provides a significant investment to boost the health system including record funding for health services and a transformative capital injection to grow the system's bed capacity. Increased funding is also provided in response to significant, ongoing pressures arising from an increase in demand in the child protection system.

The government also remains committed to initiatives to support jobs and economic growth, with this 2022–23 Budget continuing to invest in initiatives to unlock the potential of the Queensland economy.

While additional funding is needed to support service delivery needs and economic priorities, expense requirements are being managed within the envelope of revenue increases, in line with fiscal principles. Over the 4 years to 2024–25, revenue has increased by $20.764 billion since the 2021–22 Budget Update, compared to increased expenses of $16.533 billion. The General Government Sector operating position has improved significantly in 2021–22 since the 2021–22 Budget Update and remains on track to regain an operating surplus in 2024–25.

In turn, General Government Sector borrowings are expected to be $3.618 billion lower by 2024–25 than forecast in the 2021–22 Budget Update, and $4.480 billion lower than forecast in the 2021–22 Budget. Forecast borrowings have been progressively revised downwards since the 2020–21 Budget as a result of prudent management of revenue improvements from unusually high commodity prices and the economic recovery. Compared to 2020–21 Budget estimates, forecast borrowings in 2023–24 have been revised down by $14.395 billion.

Reflecting the significant opportunities to improve the mental health and wellbeing of Queenslanders, as identified by the Mental Health Select Committee, the 2022–23 Budget is also supported by the introduction of the mental health levy on large businesses which will provide an ongoing sustainable mental health funding mechanism. At the same time, payroll tax relief will be provided to support small and medium businesses.

In addition, further progressive rates will be introduced for coal royalties to ensure the State receives an appropriate return on the State's resources during periods of extremely high prices. Chapter 4 provides further detail on new revenue measures.

3.1.1 Fiscal Principles

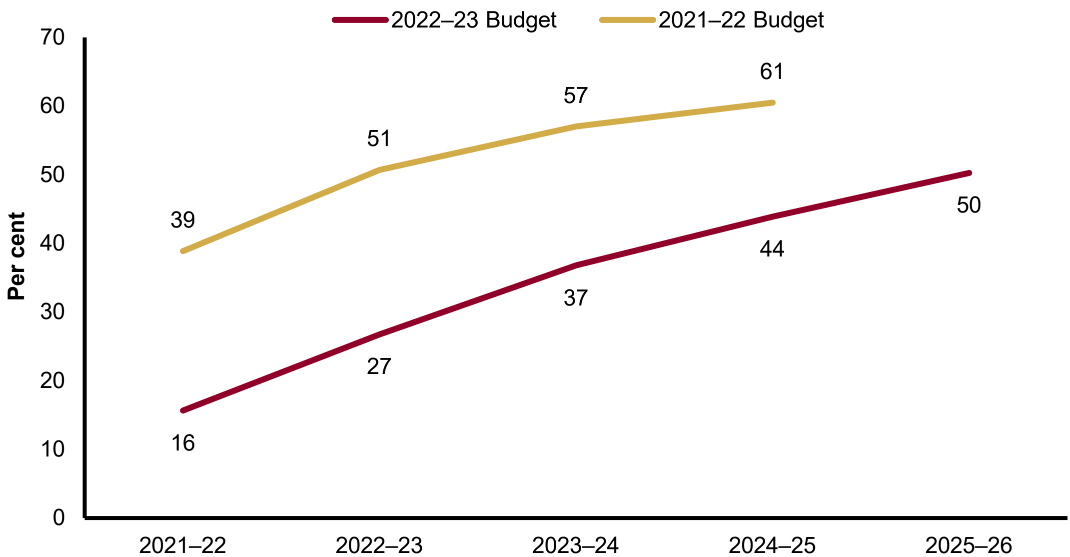
In the 2021–22 Queensland Budget, the government set out its medium-term strategy for fiscal recovery, including a new Charter of Fiscal Responsibility (the Charter) which set out renewed fiscal principles and objective measures to support the restoration of fiscal buffers. An update on progress towards 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 the objective measure of fiscal recovery in Fiscal Principle 1. The general government ratio of net debt to revenue has been revised down to 16 per cent in 2021–22, a 10 percentage point reduction compared to the 2021–22 Budget Update. By 2024–25, the ratio is forecast to reach 44 per cent, compared to 50 per cent in the 2021–22 Budget Update and 61 per cent in the 2021–22 Budget (Chart 3.1). This follows a steady reduction in forecasts for the General Government net debt to revenue ratio in successive budget updates since the 2020–21 Budget.

Chart 3.1 Ratio of general government net debt to revenue



The progressive reduction in net debt forecasts has resulted from the prudent management of revenue increases. This includes ensuring that short-term revenue uplifts from factors such as exceptionally high commodity prices support the restoration of fiscal buffers and investment in longer-term growth initiatives, while increased demand for key government services is managed within the broader trajectory of the economic recovery.

The government's commitment to investing in social and economic infrastructure to support the state's growing population and the ongoing recovery from COVID-19 and recent flood events, means the ratio increases over the forward estimates. Continued prudent management will ensure the debt increases resulting from the pandemic are minimised and the level at which net debt is stabilised in the medium term is sustainable.

Queensland's net debt to revenue ratio of 27 percent in 2022–23 compares favourably with that of its peers. The net det to revenue ratio in 2022–23 is 78 per cent for New South Wales (2021–22 Half-Yearly Review) and 145 per cent for Victoria (2022–23 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 ensure the restoration of an operating surplus and assist debt stabilisation.

Revenue growth over the forward estimates is forecast to be relatively volatile, with a large increase (15.9 per cent) expected in 2021–22 driven by a substantial increase in royalties and transfer duty. Growth is expected to moderate in 2022–23 to 1.6 per cent as key commodity prices and housing activity return to more normal levels.

Over the 5 years to 2025–26, revenue is expected to grow at 4.5 per cent on average per annum, compared to 4.1 per cent for expenses. An operating surplus is expected to be regained in 2024–25, consistent with previous forecasts.

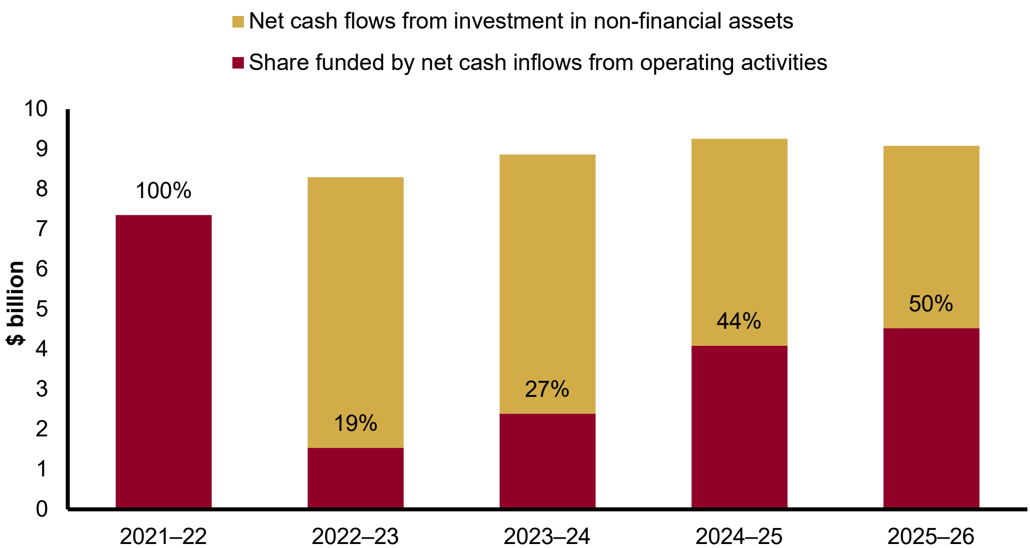
Fiscal Principle 3 – Target continual improvements in net operating surpluses to ensure that, in the medium term, net cash flows from investments in non-financial assets (capital) will be funded primarily from net cash inflows from operating activities. The capital program will focus on supporting a 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 remains a government priority. The government continued a substantial capital program through the pandemic and its $50 billion infrastructure guarantee will ensure a continual pipeline of key priority projects. A capital program of $59.126 billion is planned over the 4 years to 2025–26. A commitment to a large capital program while stabilising debt at a sustainable level will require the capital program to be largely funded through operating cash surpluses rather than borrowings.

Volatility in revenue growth over 2021–22 and 2022–23 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. As the budget position improves, the proportion of capital funded through operating cash is expected to generally trend upwards, taking year-on-year volatility into account.

This volatility is apparent in current estimates for Fiscal Principle 3, with particularly strong revenue growth in 2021–22 resulting in operating cash exceeding that needed to fund net cash flows from investments in non-financial assets (Chart 3.2). While the proportion will then decrease in 2022–23, it is expected to gradually rise over the forward estimates as the operating position improves.

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



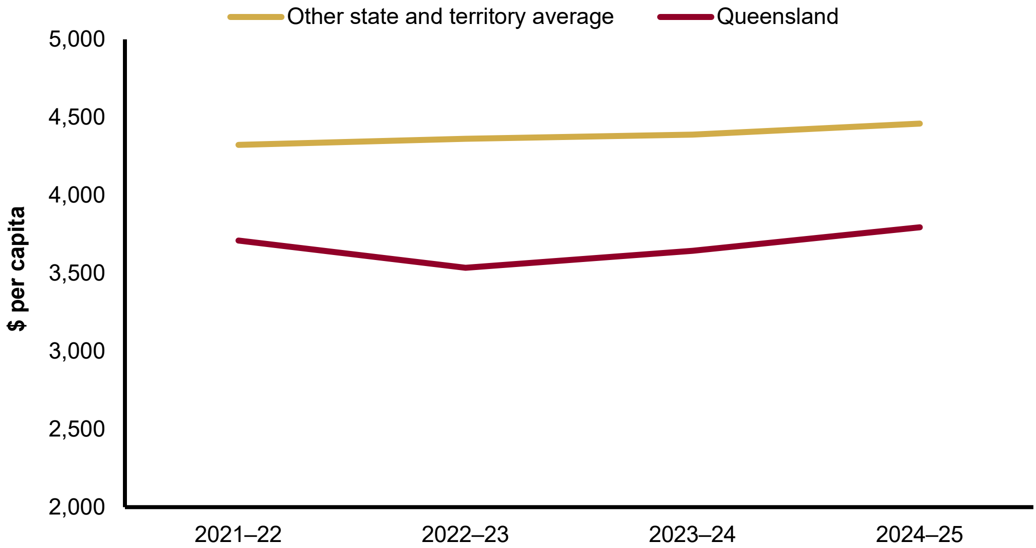
Fiscal Principle 4 – Maintain competitive taxation by ensuring that, on a per capita basis, Queensland has lower taxation than the average of other states.

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 $647 less than the average of other jurisdictions in 2020–21. On average, Queenslanders paid $1,067 less tax than New South Wales residents and $492 less than Victorian residents.

Using the latest forecasts, Queensland's taxation per capita of $3,535 in 2022–23 compares favourably to the average of other jurisdictions of $4,363 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 has continued through the economic and fiscal recovery from the COVID-19 crisis, and it remains part of the long-term fiscal strategy.

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

3.2 Key fiscal aggregates

The key fiscal aggregates for the 2022–23 Queensland Budget are outlined in Table 3.1.

Table 3.1 Key fiscal aggregates[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
General Government Sector							
Revenue	62,732	63,664	72,735	73,886	75,034	76,728	78,019
Expenses	63,669	67,148	70,820	74,915	76,116	76,591	77,836
Net operating balance	(937)	(3,485)	1,915	(1,029)	(1,083)	137	183
PNFA[2]	6,835	7,800	7,533	8,478	9,106	9,439	9,264
Fiscal balance	(5,015)	(7,965)	(2,386)	(5,635)	(5,631)	(5,008)	(3,969)
Borrowings	54,078	65,041	58,215	66,459	74,224	81,102	87,284
Net debt	11,360	24,750	11,390	19,772	27,603	33,667	39,214

Notes:
1. Numbers may not add due to rounding. Bracketed numbers represent negative amounts.
2. PNFA: Purchases of non-financial assets.

3.2.1 Net operating balance

Table 3.2 compares the General Government Sector net operating balance forecasts for the previous budget with the 2022–23 Budget forecasts.

Table 3.2 General Government Sector – net operating balance forecasts

	2021–22 $ million	2022–23 $ million	2023–24 $ million	2024–25 $ million	2025–26 $ million
2021–22 Budget	(3,485)	(2,440)	(969)	153	..
2022–23 Budget	**1,915**	**(1,029)**	**(1,083)**	**137**	**183**

Since the 2021–22 Budget, the General Government Sector net operating balance has improved substantially in 2021–22, from a deficit of $3.485 billion to a surplus of $1.915 billion. This large improvement recognises that a portion of the $9.071 billion revenue uplift since the 2021–22 Budget results from temporary factors and has been responsibly directed towards an improved operating position and the reinstatement of fiscal buffers. While additional expenses are necessary to meet increasing demand for services, these have been managed within the revenue envelope resulting from broader trends in the economic recovery, with expenses increasing by $3.671 billion in 2021–22 compared to the 2021–22 Budget. This ensures increased expenses remain sustainable.

As the impact of temporary factors on revenue begin to unwind in 2022–23 and disaster-related expenses increase, the operating position is expected to return to a deficit but improves by $1.411 billion compared to the 2021–22 Budget estimate. Consistent with previous forecasts, the operating position is expected to regain a surplus in 2024–25 and 2025–26, with average revenue growth of 4.5 per cent per annum over the 5 years to 2025–26 comparing to 4.1 per cent average expense growth.

Table 3.3 provides a breakdown of the changes in the net operating balance since the 2021–22 Budget Update.

Table 3.3 Reconciliation of net operating balance, 2021–22 Budget Update to 2022–23 Budget[1]

	2021–22 $ million	2022–23 $ million	2023–24 $ million	2024–25 $ million
2021–22 Budget Update net operating balance	**(1,492)**	**(2,397)**	**(559)**	**158**
Taxation revisions[2]	1,010	364	173	490
Royalty and land rent revisions[2]	2,879	3,001	790	821
GST revisions	433	1,414	1,109	1,026
Revenue measures[3]	..	929	539	568
Expense measures[4]	(971)	(2,699)	(3,596)	(3,586)
Natural disaster revisions (DRFA)[5]	(117)	(1,081)	543	(76)
Net flows from PNFC and PFC entities[6]	(367)	270	573	302
Australian Government funding revisions[7]	(20)	(225)	(278)	92
Other parameter adjustments[8]	560	(605)	(377)	342
2022–23 Budget net operating balance	**1,915**	**(1,029)**	**(1,083)**	**137**

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, Royalty and land rent revisions exclude impact of revenue measures.
3. Reflects the operating balance impact of government revenue measures since 2021–22 Budget Update. Refer to Budget Measures (Budget Paper 4) for details.
4. Reflects the operating balance impact of government expense measures since the 2021–22 Budget Update. Refer to Budget Paper 4 for details. Natural disaster payments are not included in Expense measures above, however these are included in Budget Paper 4 Expense measures.
5. Net impact of Disaster Recovery Funding Arrangements.
6. Represents revisions to dividends and tax equivalent payments from, and community service obligations (CSOs) and Transport Service Contract payments to, Public Non-financial Corporations and Public Financial Corporations, net of CSO and TSC expense measures.
7. 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.
8. Refers to adjustments largely of a non-policy nature, primarily changes in interest paid on borrowings, depreciation, swaps, lapses and deferrals.

The recovery in Queensland's net operating balance compares favourably with continued larger deficits in other states. While Queensland expects net operating deficits in 2022–23 and 2023–24, these are far narrower than the most recent available forecasts for Victoria (2022–23 Budget). Queensland's deficits also follow a surplus in 2021–22, compared to significant deficits of $19.5 billion for New South Wales (2021–22 Half-Yearly Review) and $17.6 billion for Victoria.

Impact of disaster recovery on the net operating balance

With Queensland experiencing significant flood events in the 2021–22 disaster season, related expenses and the impact of Commonwealth payments for Disaster Recovery Funding Arrangements (DRFA) have materially affected the net operating balance. Box 3.1 details the financial impact of the flood events and initiatives to support community recovery and resilience. Table 3.4 details the impact of disaster expenses and DRFA on the net operating balance. This demonstrates that Queensland would have achieved a net operating surplus in 4 of the 5 years of estimates had revenue and expenses not been affected by disasters.

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

	2021–22 $ million	2022–23 $ million	2023–24 $ million	2024–25 $ million	2025–26 $ million
Net Operating Balance	**1,915**	**(1,029)**	**(1,083)**	**137**	**183**
less Disaster revenue	527	517	1,451	361	..
add Disaster expenses	712	1,714	1,172	532	37
Underlying Net Operating Balance	**2,100**	**168**	**(1,362)**	**308**	**220**
Disaster capital expenditure	35	184	282	208	..

Notes:

1. Numbers may not add due to rounding.
2. The disaster revenues and expenditure shown above include estimates from events prior to 2021–22 and so exceed estimates for those occurring in the summer of 2021–22.

Box 3.1 2021–22 Disaster Season

The summer of 2021–22 has seen multiple devastating flood events which impacted more than half the state. Tragically, lives have been lost and thousands of individuals, families, businesses, primary producers, schools and other organisations have been directly affected.

Of Queensland's 77 local government areas, 66 have been activated for the joint State-Commonwealth DRFA assistance in response to these disasters.

Early indications suggest the cost of recovery and reconstruction from the repeated flooding to be funded under the DRFA will be more than $3 billion. The broader impact of the floods on the Queensland economy is discussed in Chapter 2.

To support initial recovery, several extraordinary measures were immediately made available through the jointly funded DRFA, including personal hardship assistance for individuals and families. At the end of May 2022, more than $22 million has been distributed under the hardship scheme, benefiting just over 96,000 people. For lower income earners without insurance, the Structural Assistance Grant has been raised to $50,000 to help make homes safe and secure.

For primary producers, small businesses, non-profit organisations and sporting clubs, $558.5 million in grants were made available following the South East Queensland floods to assist with clean-up and reinstatement. A further $30 million is open for Councils to assist with clean-up in their regions and 23 Councils have each received a $1 million injection to assist with urgent recovery and clean-up works. This will be followed by reimbursements to Councils and agencies across all affected areas for costs incurred in counter-disaster operations, such as sandbagging, and the restoration of essential public assets including roads and bridges.

A $721 million joint State and Australian Government package is assisting ongoing recovery with a focus on the health and wellbeing of communities, accommodation options, sustaining medium size businesses and tourism, restoring the environment, repairing community and recreational assets, supporting community development with flexible funding grants and community and industry officers and ensuring our essential public assets can be built back better.

The innovative $741 million Resilient Homes Fund is jointly funded by the Queensland and Australian Governments through the DRFA. It is available for homeowners to bolster resilience across 37 council areas through providing grants to rebuild with flood resilient materials or home raising, or for the voluntary buy-back of homes at high risk of repeated flooding.

While the impact of the recent flooding events will be felt for many years, efforts to build resilience and support community recovery mean that Queensland will be better placed to handle future disasters.

3.2.2 Revenue

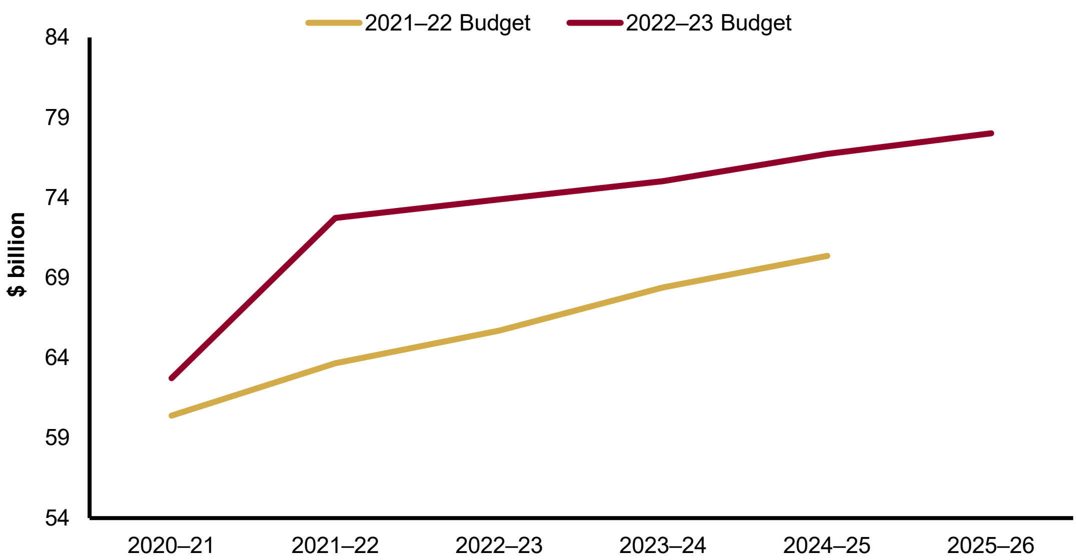
Revenue is expected to rebound strongly in line with the substantially improving economic conditions since mid-2020. In 2021–22, total General Government Sector revenue is expected to be 15.9 per cent higher than 2020–21 and $9.071 billion (14.2 per cent) higher than estimated in the 2021–22 Budget (Chart 3.4). The strong uplift in 2021–22 compared to 2020–21 primarily reflects the impact of a temporary surge in coal and oil prices across 2021, increasing royalties and land rents by $6.472 billion, and a $3.251 billion (20.0 per cent) increase in taxation revenue, driven largely by transfer duty.

More modest revenue growth is expected in 2022–23 of 1.6 per cent. Royalties are expected to decline as coal and oil prices return to more sustainable levels while overall revenue growth is supported by GST revenue, driven largely by growth in the national GST pool. Taxation revenue is expected to decline by 3.4 per cent in 2022–23 due to lower transfer duty as elevated levels of property transactions moderate, then grow by an average of 5.1 per cent per annum over the 3 years to 2025–26.

On average over the 5 years to 2025–26, revenue is expected to grow by 4.5 per cent per annum.

In total over the 4 years to 2024–25, improving economic conditions and the temporary uplift to royalties means that General Government Sector revenue is forecast to be $20.764 billion higher than forecast in the 2021–22 Budget Update.

Chart 3.4 Comparison of revenue forecasts



Revenue measures have been introduced in the 2022–23 Queensland Budget to provide sustainable funding to support the delivery of essential government services and to provide appropriate tax relief. In net terms, new measures are expected to increase revenue by $2.620 billion over the 4 years to 2025–26. Key measures include:

- a mental health levy to meet increasing demands for mental health services. The levy, to apply to payroll tax liabilities arising on or after 1 January 2023, will be applied to large employers, or groups of employers, with annual Australian taxable wages over $10 million, including an additional levy applied to taxable wages over $100 million, providing a sustainable funding source for mental health services
- substantial payroll tax relief for small and medium businesses by increasing the payroll tax deductions available for liabilities arising on or after 1 January 2023 and an extension of the 50 per cent payroll tax rebate for wages paid to apprentices and trainees for 12 months to 30 June 2023
- 3 additional progressive coal royalty rates will apply from 1 July 2022, ensuring royalty returns to the state appropriately reflect the use of valuable natural resources during future period of high coal prices
- a 5 per cent racing levy will be applied to the betting tax rate as part of a broader package of changes to funding arrangements for the racing industry
- retirement visa holders will be exempt from additional foreign acquirer duty for purchases of their principal place of residence on or after 1 January 2023.

Further detail on revenues is provided in Chapter 4.

3.2.3 Expenses

Expenses in the 2022–23 Queensland Budget reflect the government's commitment to deliver better services aimed at improving the lives of Queenslanders, supporting the state's growing population and unlocking further economic and employment growth. Improving economic conditions mean that additional expenses can be met well within the envelope of revenue improvements, preserving budgetary performance while meeting service delivery demands.

On average, General Government Sector expenses are forecast to increase by 4.1 per cent per annum over the 5 years to 2025–26. This is lower than the forecast average annual increases in revenue of 4.5 per cent over the same period and is consistent with Fiscal Principle 2.

Key new initiatives in the 2022–23 Budget include:

- increased funding of $6.784 billion over 4 years to support the ongoing growth in demand for health and ambulance services
- additional funding of $1.645 billion over 5 years for Queensland Health's new 5-year plan for Queensland's state funded mental health, alcohol and other drug services as well as the suicide prevention system of care and support. This builds on existing funding for mental health, alcohol and other drugs services in Queensland. While Queensland Health advised the Mental Health Select Committee that it spent an estimated $1.35 billion on mental health in 2020–21 and a further $139 million on alcohol and other drug services, mental health expenditure is complex and a whole of Government responsibility with multiple Government agencies providing mental health services
- funding of $2.2 billion over 5 years and $500 million per year ongoing for out of home care services in response to ongoing pressures arising from an increase in demand in the child protection system

- $964.2 million over 5 years for Queensland's Resource Recovery Sector Transformation, including implementation of the South East Queensland Waste Management Plan, Regional Waste Management Plans, payments to councils to reduce the household impact of the waste levy as well as statewide programs and regulatory activities
- increased funding of $263 million over 4 years and $77 million per annum ongoing to support kindergarten funding reform to reduce out-of-pocket expenses for families, increase disability funding and implement educational need funding for children in Queensland attending a kindergarten.

Salaries and wages form a large proportion of General Government Sector expenses. Increases in salaries and wages are negotiated through enterprise bargaining agreements. With several key public sector enterprise bargaining agreements nominally expiring during 2022, the government is committed to participating in good faith bargaining to establish wage increases for the next period, considering the prevailing economic environment. The 2022–23 Budget and forward estimates reflect growth in full-time equivalent public sector employees and wage increases consistent with existing agreements and expectations of future bargaining agreements where outcomes are yet to be finalised.

The Queensland Government's Savings and Debt Plan, announced on 9 July 2020, targeted savings of $3 billion over 4 years to 2023–24. Through specific measures and agency savings efforts, this target has been fully met and adjustments to agency appropriation made.

Incorporating the achievement of these ongoing savings in the 2022–23 Queensland Budget supports the management of expenses over the forward estimates and the return to surplus by 2024–25. As noted in the Queensland Audit Office's *State Finances 2021* report, individual departments are responsible for identifying and implementing measures to achieve the targeted savings. These savings are being achieved without reducing services and in line with the Queensland Government's commitment to employment security.

Several workstreams were established to identify cross-agency opportunities under the Savings and Debt Plan, including for Accommodation, Advertising, Marketing and Communications, Data and ICT, Workforce, Government Corporate Support, Grants Administration and Procurement. Cross-government work will continue to focus on opportunities for public sector improvement and efficiency in service delivery.

Further detail on expenses is provided in Chapter 5.

3.2.4 Investment

The Queensland Government provides essential infrastructure and capital works to support productivity, connect industries and meet the state's increasing service needs. In the 2022–23 Queensland Budget, the government is investing in the social and economic infrastructure needed to support the state's growing population and ensure the ongoing recovery from COVID-19 and recent flood events. The government continues to deliver on the $50 billion Infrastructure Guarantee, with a total 4-year capital program of $59.126 billion in the 2022–23 Budget.

The 2022–23 Budget continues to put the health of Queenslanders first, with a capital expenditure boost of $9.785 billion over 6 years to expand capacity, delivering around 2,200 additional overnight beds across the Queensland health system.

Key capital investments in 2022–23 include:

- $7.309 billion investment in transport infrastructure. This includes $1.290 billion to continue construction work on Cross River Rail, $270.2 million to commence Stage 3 of Gold Coast Light Rail, and substantial ongoing investment to fund major upgrades to the M1 Pacific Motorway, the Bruce Highway and the rail network through the Logan and Gold Coast Faster Rail project
- $1.555 billion to ensure that Queensland's state schools and training assets are world-class and continue to meet demand. Investment in new schools is being facilitated through the $3 billion Building Future Schools Fund
- $441.3 million in 2022–23 for the delivery of new social homes and upgrades of existing dwellings for vulnerable Queenslanders, as part of the 4 year $1.908 billion *Housing and Homelessness Action Plan 2021–2025*.

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

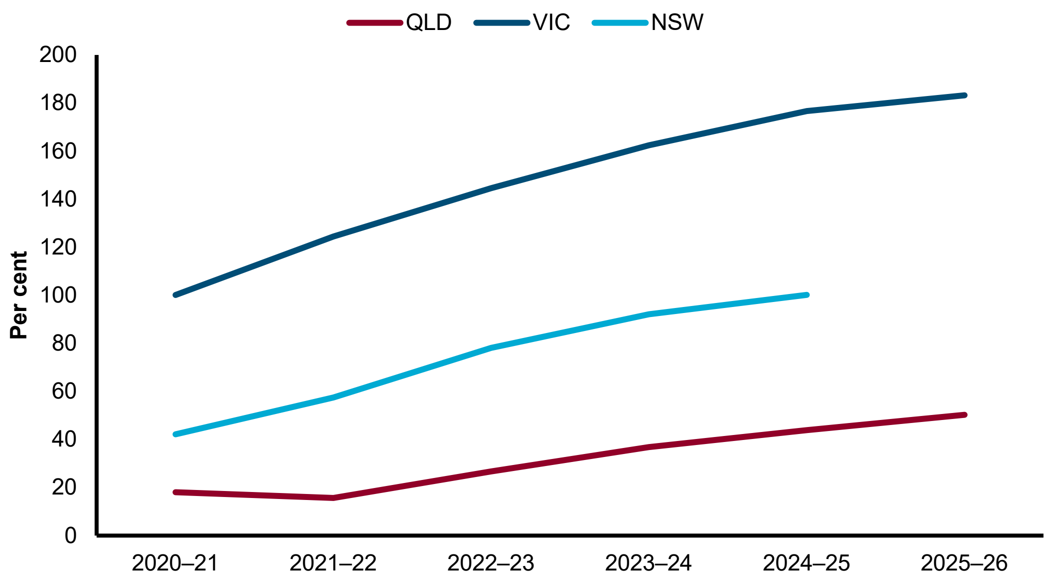
3.2.5 Borrowings

Australian governments at all levels increased borrowings to combat the COVID-19 crisis, as did Queensland's. However, progressive reductions in forecast debt will limit legacy impacts in Queensland and ensure debt levels remain sustainable. The Queensland Government has acted prudently to limit debt increases. Temporary revenue uplifts in 2021–22 and 2022–23, largely driven by factors such as the surge in commodity prices, have assisted in improving the debt position. The Queensland Future Fund (QFF) – Debt Retirement Fund (DRF) has also been implemented to strengthen the state's balance sheet.

General Government Sector net debt is forecast to be $19.772 billion at 30 June 2023, $13.555 billion lower than forecast in the 2021–22 Budget. The net debt to revenue ratio in that year is estimated at 27 per cent and is expected to reach 50 per cent by 2025–26. In comparison, 2020–21 Budget forecasts suggested a net debt burden of 50 per cent would be reached during 2021–22.

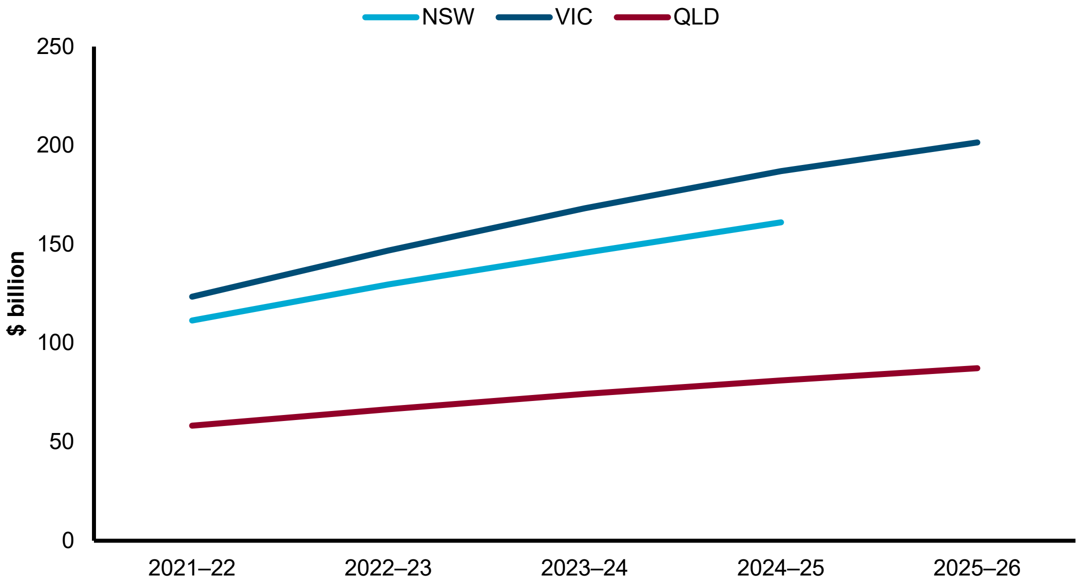
By 2024–25, Queensland's forecast net debt of $33.667 billion compares to $103.008 billion for New South Wales (2021–22 Half-Yearly Review) and $154.844 billion for Victoria (2022–23 Budget). As shown in Chart 3.5, general government net debt as a share of revenue is also expected to be far lower in Queensland than in New South Wales and Victoria across the forward estimates.

Chart 3.5 State comparison of General Government Sector net debt to revenue



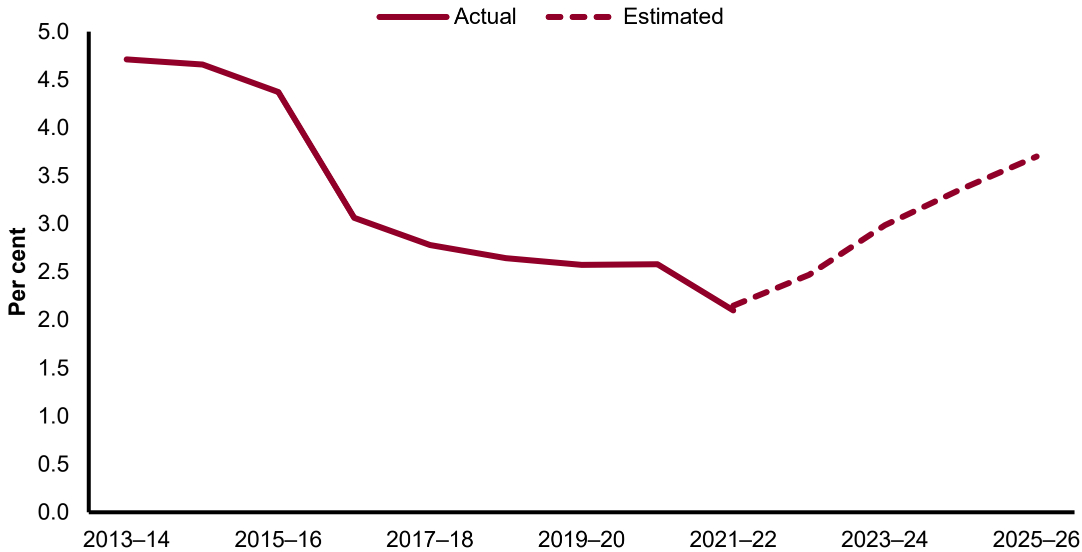
Total General Government Sector borrowings are expected to be $8.321 billion lower at 30 June 2023 than forecast in the 2021–22 Budget and remain $4.480 billion lower by 30 June 2025. General Government Sector borrowings also compare well to interstate peers (Chart 3.6). Queensland's forecast borrowings of $81 billion in 2024–25 are far lower than those of New South Wales ($161 billion, 2021–22 Half-Yearly Review) and Victoria ($187 billion, 2022–23 Budget).

Chart 3.6 Interstate comparison of General Government Sector borrowings



Debt servicing costs are also expected to remain manageable, with General Government Sector interest expenses expected to be around 2.5 per cent of revenue in 2022–23. While General Government Sector interest expenses are expected to rise over the forward estimates period, the 2025–26 estimate of 3.7 per cent remains well below the peak of 4.7 per cent in 2013–14 (Chart 3.7). The continued reduction in overall forecast debt levels helps to reduce the impact of future interest rate rises.

Chart 3.7 General Government Sector ratio of borrowing costs to revenue



Queensland's credit ratings

Throughout the pandemic crisis and recovery, Queensland's credit rating has remained stable with S&P Global (AA+) and Moody's (Aa1), while Fitch has upgraded Queensland's rating (from AA to AA+). These ratings outcomes are supported by prudent and effective management of pandemic impacts and the government's commitment to restoring a strong budgetary performance and stabilising the level of borrowings. The establishment of the QFF – DRF demonstrated a commitment to active debt management and supports Queensland's credit continuing to rate strongly.

In December 2021, Moody's affirmed Queensland's rating at Aa1 (stable). Moody's assessment recognises that while Queensland has experienced significant economic and revenue disruptions from the pandemic, its credit profile is underpinned by a strong institutional framework as well as the strong revenue recovery in 2021–22 and resultant lower borrowing requirements.

Fitch upgraded Queensland's rating from AA (stable) to AA+ (stable) in December 2021, reflecting the diversity and underlying strength of Queensland's economy, and Fitch's expectations of Australia's improving macroeconomic environment. Fitch expects strong financial management and the commitment to restore operating surpluses to keep debt levels manageable.

S&P Global affirmed Queensland's AA+ (stable) rating in February 2022, reflecting an expectation that the impact of COVID-19 on Queensland's budgetary performance will be temporary and will improve as the economy continues to recover and the budget is effectively managed. S&P Global also notes that debt levels compare well to similarly-rated peers.

The maintenance or improvement in Queensland's rating contrasts with New South Wales and Victoria, which have both had credit rating downgrades over the course of the pandemic. Victoria's Aaa rating with Moody's was downgraded to Aa1 in 2021, then Aa2 in 2022, and their AAA rating with S&P Global was downgraded 2 notches to AA in 2020. New South Wales have also been downgraded by S&P Global, from AAA to AA+ in 2020.

The credit rating of the state impacts the rate at which new and refinanced borrowings are made, which affects the overall cost of borrowing. Sound financial management supports the credit rating and provides the capacity to respond to future economic and financial shocks, including the long-term impact of the pandemic.

3.2.6 Emerging Fiscal Pressures

Beyond general uncertainties related to budget parameter assumptions and the ongoing impact of the COVID-19 pandemic, 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 Chapter 4
- expiring agreements: Queensland's fiscal position is exposed to decisions made by the Australian Government, including not renewing funding for National Partnership payments (NPs) where there are ongoing community service needs that must be met. Further information on expiring agreements is provided in Chapter 7
- adverse weather events are likely to occur in 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 the transformation of Queensland's energy system away from a reliance on coal-fired generation, requiring significant new investment in renewable generation, storage and network infrastructure to support a secure and reliable electricity system
- additional water infrastructure, and upgrades to existing infrastructure, will be required over the next decade to meet future water demand, provide drought contingency, and ensure the safety and reliability of Queensland's dams in line with dam safety guidelines into the future.

4 Revenue

Features

- The COVID-19 pandemic and resulting economic impacts substantially reduced the state's revenues across 2019–20 and 2020–21 compared with pre-pandemic forecasts in the 2019–20 Mid-Year Fiscal and Economic Review. However, in line with the substantially improving economic conditions since mid-2020, revenue is expected to rebound strongly in 2021–22 and remain at relatively elevated levels over the forward estimates.
- Total key revenues of taxes, royalties and GST are expected to be $10.067 billion (29.4 per cent) higher in 2021–22 than they were in 2020–21.
- However, some key revenues are expected to be volatile over the forecast period. The substantial increases in royalties and transfer duty in 2021–22, due to high coal and oil prices and the housing boom respectively, are expected to unwind from 2022–23 onwards, as commodity prices and housing activity normalises.
- General Government Sector revenue is estimated to total $72.735 billion in 2021–22, up $10.003 billion (15.9 per cent) compared with 2020–21 and $9.071 billion (14.2 per cent) higher than estimated in the 2021–22 Queensland Budget. The substantial upward revision to 2021–22 revenue from the 2021–22 Budget estimates is largely driven by:
  - a $5.794 billion increase in royalties and land rents, reflecting the unprecedented surge in coal and oil prices across early 2022
  - a $2.101 billion increase in taxation revenue, reflecting much stronger than expected domestic activity, particularly the strength of residential property transactions.
- In 2022–23, General Government Sector revenue is estimated to total $73.886 billion, an increase of $1.151 billion (1.6 per cent) compared with 2021–22.
  - This moderate growth largely reflects an expected $1.302 billion decline in royalties and land rents, as the temporary surge in coal and oil prices begins to unwind and prices begin to return to levels consistent with medium-term expectations.
  - This is expected to be more than offset by an increase in GST revenue, reflecting an increase in the GST pool as the national economy continues to recover as well as Queensland receiving an increased share of the GST pool compared to 2021–22.
- Australian Government payments to Queensland in 2022–23 are expected to total $34.925 billion, an increase of $1.907 billion (5.8 per cent) compared with payments in 2021–22. This increase is primarily driven by the increase in GST revenue.
- Total revenues are expected to grow at an average annual rate of 1.8 per cent over the 4 years to 2025–26, or 4.5 per cent over the 5 years to 2025–26.
- A number of measures are being introduced in the 2022–23 Queensland Budget to provide sustainable funding for mental health and other key services, as well as the racing industry. These measures will also provide tax relief for small to medium employers and businesses that employ apprentices and trainees, as well as removing additional foreign acquirer duty for foreign retirement visa holders buying a principal place of residence.

- An increase in royalty rates at higher coal prices will provide a fairer return to Queenslanders from this resource, especially if very high prices continue.
- Importantly, Queensland is maintaining its competitive tax status, with per capita state tax estimated to be $647 below the average of other states and territories in 2020–21.

4.1 2021–22 estimated actual

General Government Sector revenue is estimated to be $72.735 billion in 2021–22, $9.071 billion (14.2 per cent) higher than forecast at the time of the 2021–22 Queensland Budget.

The substantial upward revision to 2021–22 revenue from the 2021–22 Budget estimates is largely driven by:

- a $5.794 billion increase in royalties and land rents, reflecting the unprecedented surge in coal and oil prices across early 2022
- a $2.101 billion increase in taxation revenue, reflecting much stronger than expected domestic activity, particularly the strength of residential property transactions.

The substantial increase in General Government Sector revenue expected in 2021–22 represents growth of 15.9 per cent compared with 2020–21. This is the strongest rate of growth in General Government Sector revenue since 2008–09, reflecting the combination of factors outlined above.

Total key revenues of taxation, GST, and royalties are estimated to be 29.4 per cent higher in 2021–22 compared to 2020–21.

However, there is expected to be volatility in some key revenues over the forecast period. In particular, the substantial increase in royalties and transfer duty in 2021–22, due to the exceptionally high coal and oil prices and the housing boom respectively, are both expected to unwind from 2022–23 onwards as key commodity prices and housing activity normalise.

4.2 2022–23 Budget and outyears

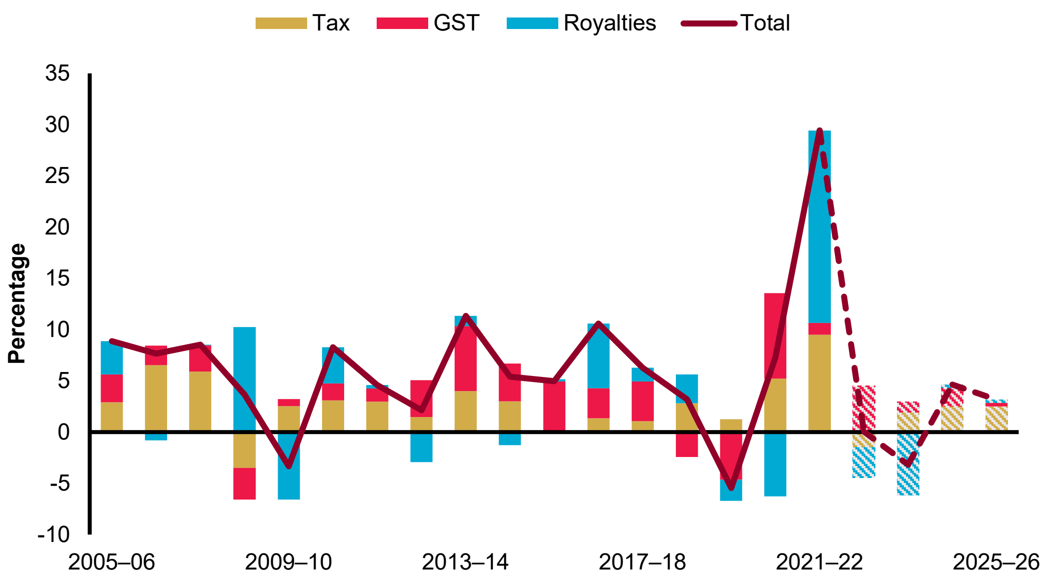
General Government Sector revenue is forecast to increase by $1.151 billion (1.6 per cent) in 2022–23, to be $73.886 billion, as outlined in Table 4.1. This modest revenue increase is due to:

- a $1.302 billion fall in royalties and land rents reflecting the expectation that the currently elevated prices for coal and oil return to levels more consistent with medium-term expectations
- this is more than offset by a $1.998 billion increase in GST revenue reflecting growth in the national GST pool and an increase in the share of the pool.

As a result, total key revenues (taxes, GST and royalties) are forecast to remain stable in 2022–23 (growing by less than 0.1 per cent), and then decline by 3.2 percent in 2023–24 as royalty revenue normalises.

Chart 4.1 examines the growth in revenue across the 3 key revenue streams and the share of growth attributable to each key revenue item.

Chart 4.1 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.

While taxation revenue is forecast to be $658.2 million (3.4 per cent) lower in 2022–23 than in 2021–22, taxation revenue is forecast to grow by 6.2 per cent per annum on average over the period 2020–21 to 2025–26. This is slightly above the average growth of 4.5 per cent in the decade to 2019–20, reflecting in part the benefit of higher house prices on stamp duty in the recent housing cycle.

Royalties and land rents are expected to decline by 14.3 per cent in 2022–23, and then decline by a further 34.7 per cent in 2023–24. This reflects the expectation that coal and oil prices will return from recently elevated levels to reach more sustainable levels in 2023.

Royalties and land rents are then expected to grow by 2.7 per cent in 2024–25 and 2025–26, primarily reflecting an expected increase in coal export volumes over time.

Queensland's GST revenue is estimated to grow by 12.6 per cent in 2022–23 and is forecast to continue to grow on average by 5.0 per cent per annum over the 4 years ending 2025–26.

This increase in expected GST revenue is largely driven by growth in the national GST pool. The 2022–23 Federal Budget forecast the GST pool to grow by 9.1 per cent in 2022–23 and around 4.5 per cent per annum on average over the 3 years ending 2025–26, reflecting the expected ongoing growth in taxable consumption. However, growth in Queensland's estimated GST share is estimated to be somewhat lower than this due to the impacts in later years of the recent higher Queensland royalties revenue on Queensland's future GST share.

Reflecting this combination of factors and changes in key revenues, total General Government revenue growth is expected to average 4.5 per cent per annum over the 5 years to 2025–26.

The more-steady growth in overall revenue forecast in 2023–24 and beyond reflects the expected return to more normal economic conditions and activity levels over the forecast period.

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]

	2020–21 Actual $ million	2021–22 Budget $ million	2021–22 Est. Act $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Taxation revenue	16,249	17,399	19,500	18,842	19,700	20,785	21,905
Sales of goods and services	6,063	6,062	6,032	6,181	6,521	6,253	6,316
Interest income	1,948	2,537	2,561	2,847	2,910	2,984	3,037
Grants revenue							
GST revenue	15,419	15,616	15,813	17,811	18,270	19,039	19,200
Australian government and other grants and contributions	14,147	13,749	14,903	14,561	15,633	15,936	16,403
Australian Government capital grants, other grants and contributions	3,447	2,571	2,661	2,870	3,877	3,300	3,115
Dividend and income tax equivalent income							
Dividends	831	659	193	928	973	718	729
Income tax equivalent income	480	482	479	572	599	514	466
Other revenue							
Royalties and land rents	2,662	3,341	9,135	7,832	5,112	5,251	5,392
Other	1,485	1,248	1,459	1,442	1,440	1,948	1,455
Total revenue	**62,732**	**63,664**	**72,735**	**73,886**	**75,034**	**76,728**	**78,019**

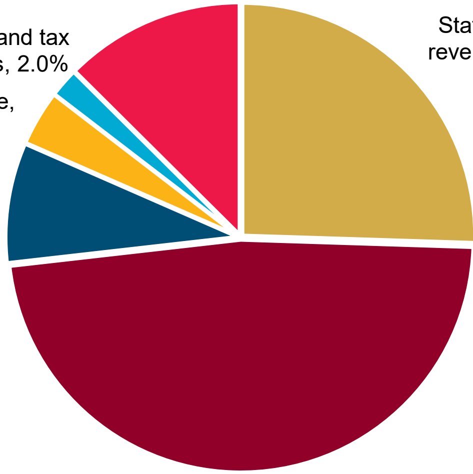
Note:

1. Numbers may not add due to rounding.

The major sources of total General Government Sector revenue in 2022–23 are grants revenue, which includes GST revenue and Australian Government Grants and other grants and contributions (47.7 per cent), and taxation revenue (25.5 per cent).

Chart 4.2 illustrates the expected composition of General Government Sector revenue in 2022–23.

Chart 4.2 Revenue by operating statement category, 2022–23[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 10.6 per cent of total revenues.

4.3 Budget initiatives

A number of revenue measures have been announced as part of the 2022–23 Queensland Budget, including specific measures aimed at providing sustainable funding to support the delivery of mental health and other essential government services, and to fund the racing industry.

Other revenue related measures in this Budget will provide payroll tax relief for thousands of small and medium Queensland businesses, support businesses across the state that employ apprentices and trainees, and provide foreign acquisition duty relief for foreign buyers who are retirement visa holders when purchasing their principal place of residence.

Mental health levy

A mental health levy will be introduced to meet increasing demands for mental health services. The levy, to apply to payroll tax liabilities arising on or after 1 January 2023, will be applied to large employers, or groups of employers, with annual Australian taxable wages over $10 million, including an additional levy applied to taxable wages over $100 million, providing a sustainable funding source for mental health services. More information on the mental health levy can be found in Box 4.1.

Payroll tax relief for small to medium employers

Substantial payroll tax relief will be provided for many small and medium businesses, by increasing the payroll tax deductions available to employers, or groups of employers, with annual Australian taxable wages of between $1.3 million and $10.4 million. These changes are proposed to apply to payroll tax liabilities arising on or after 1 January 2023. More information on this measure can be found in Box 4.2.

Racing levy

To ensure ongoing sustainable funding of Queensland's racing industry, a 5 per cent racing levy will be applied to the betting tax rate and bonus bets will be incorporated into the calculation of betting tax for liabilities arising on or after 1 December 2022. Taxing bonus bets will bring Queensland into line with betting tax arrangements in all other jurisdictions, other than Tasmania. The proportion of betting tax revenue allocated to the racing industry will also increase from the current 35 per cent to 80 per cent.

More information on this measure can be found in Box 4.4.

Progressive coal royalty rates

To ensure that during future periods of high coal prices the royalty return to the state is appropriate in line with the usage of the state's valuable natural resources, 3 additional progressive coal royalty rates will apply. The new tiers will apply on that part of the average price per tonne of the coal sold, disposed of or used on or after 1 July 2022 as follows: 20 per cent for prices exceeding A$175, 30 per cent for prices exceeding A$225, and 40 per cent for prices exceeding A$300. More information on this measure can be found in Box 4.6.

Foreign retirement visa holders buying their homes

Retirement visa holders will be exempt from additional foreign acquirer duty for purchases of their principal place of residence on or after 1 January 2023. This change will ensure that, subject to conditions, holders of retirement visas who purchase a home will not be subject to a surcharge rate of duty, and only duty at standard concessional rates will apply to eligible transactions.

Payroll tax rebate for apprentices and trainees

The 50 per cent payroll tax rebate for wages paid to apprentices and trainees will be extended for 12 months until 30 June 2023. In addition to apprentice and trainee wages generally being exempt from payroll tax, this rebate will provide additional support to employment in the ongoing recovery from COVID-19, in particular supporting youth employment and businesses who employ trainees and apprentices.

4.4 Revenue by operating statement category

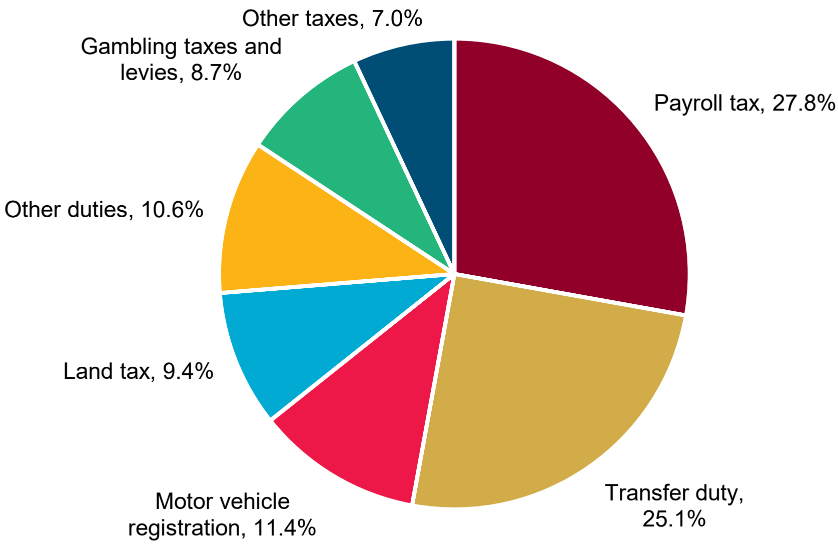
4.4.1 Taxation revenue

Chart 4.3 outlines the composition of estimated state taxation revenue for 2022–23, with the largest sources being payroll tax and transfer duty, together representing 52.9 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. Transfer duty can be variable, reflecting residential and non-residential market conditions.

Land tax growth can also reflect variability in the property market but is generally more stable than most other tax lines due to the relatively stable base and the effect of assessments being based on 3-year averages of land values.

Chart 4.3 State taxation by tax category, 2022–23[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.

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

Total taxation revenue is expected to grow by 20.0 per cent in 2021–22. Improved taxation receipts in 2021–22 are primarily being driven by strong growth in transfer duty, payroll tax and land tax.

The growth in transfer duty reflects the combined impacts of significant increases in transaction volumes and the strong growth in dwelling prices over the year, as well as a recovery in collections from large and non-residential transactions. The strong growth in payroll tax reflects the strong labour market conditions in Queensland. The performance of the property market has also resulted in significant increases in land valuations that are flowing through to land tax collections.

Taxation revenue is expected to decline by 3.4 per cent in 2022–23 due to lower transfer duty as property transactions moderate from their elevated levels of activity, along with a slowing of turnover in large transactions from their 2021–22 levels.

Total taxation revenue is forecast to grow on average by around 5.1 per cent per annum across the 3 years ending 2025–26.

Table 4.2 State taxation revenue[1]

	2020–21 Actual $ million	2021–22 Est. Act $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Payroll tax	4,166	4,957	5,242	5,766	6,022	6,289
Duties						
Transfer	3,954	6,028	4,722	4,442	4,757	5,233
Vehicle registration	662	684	645	665	685	712
Insurance[2]	1,095	1,249	1,311	1,376	1,444	1,503
Other duties[3]	31	32	32	33	33	35
Total duties	**5,742**	**7,994**	**6,711**	**6,515**	**6,919**	**7,482**
Gambling taxes and levies						
Gaming machine tax	821	816	819	843	869	903
Health services levy	121	112	109	117	127	132
Lotteries taxes	359	366	372	383	395	410
Wagering taxes	157	160	201	247	254	261
Casino taxes and levies	107	114	124	139	143	149
Keno tax	22	21	22	22	23	23
Total gambling taxes and levies	**1,586**	**1,589**	**1,646**	**1,752**	**1,810**	**1,879**
Other taxes						
Land tax	1,524	1,603	1,773	2,019	2,268	2,365
Motor vehicle registration	2,011	2,074	2,152	2,232	2,315	2,401
Emergency management levy	581	599	624	649	676	704
Waste disposal levy	303	331	339	407	420	433
Guarantee fees	292	307	320	323	317	314
Other taxes[4]	44	46	36	37	38	39
Total taxation revenue	**16,249**	**19,500**	**18,842**	**19,700**	**20,785**	**21,905**

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 collections have improved substantially in line with the strong rebound in economic and labour market conditions in Queensland following the initial COVID-19 crisis in mid-2020. Payroll tax is expected to be 19.0 per cent higher in 2021–22 compared to 2020–21, reflecting the lower base in 2020–21 due to COVID-19 relief measures, and strong growth in employment and a strengthening of wages growth in 2021–22.

Payroll tax is expected to grow by 5.8 per cent in 2022–23 and average annual growth of around 6.1 per cent is forecast over the 4 years ending 2025–26. This is broadly in line with the expected ongoing solid employment and wage growth over the forward years and also reflects the impact of the mental health levy.

As outlined earlier, the 50 per cent payroll tax rebate for wages paid to apprentices and trainees will be extended for 12 months until 30 June 2023.

Box 4.1 Supporting mental health services

The Mental Health Select Committee, in its report to Parliament – *Report No. 1, 57th Parliament – Inquiry into the opportunities to improve mental health outcomes for Queenslanders* – identified significant opportunities to improve the mental health and wellbeing of Queenslanders, including:

- greater involvement of people with lived experience in the system
- greater use of health data to inform service delivery
- expanded GP and other community-based mental health services
- greater support services in schools
- expanding alternative entry points and emergency department diversion services
- utilising health practitioners' full scope of practice.

Queensland Health advised the Committee that it spent an estimated $1.35 billion on mental health in 2020–21 and a further $139 million on alcohol and other drug (AOD) services. Even so, the Committee considered it was evident that to reform Queensland's mental health and AOD system, a substantial increase in investment is required.

In the 2022–23 Queensland Budget, the government is providing an additional $1.645 billion in operating funding plus an additional $28.5 million in capital funding to support initiatives under a new 5-year plan *Better Care Together: a plan for Queensland's state-funded mental health, alcohol and other drug services*, and to meet Queensland's obligations under the *National Agreement on Mental Health and Suicide Prevention*.

To fund the enhancements to mental health services, and to provide ongoing sustainable funding for this critical element of the state's health system, a mental health levy will be applied to payroll tax liabilities arising on or after 1 January 2023, but will only be applicable to large employers, or groups of employers, with annual Australian taxable wages over $10 million and an additional levy applied to Australian taxable wages over $100 million.

The mental health levy will be applied as follows:

- a 0.25 per cent levy on the annual Australian taxable wages of employers, or groups of employers above $10 million
- an additional 0.5 per cent levy on the annual Australian taxable wages of employers, or groups of employers, above $100 million.

Given this reform is a specific levy, as distinct from a change in tax rates, the levy will only apply to the portion of the wages above the respective taxable wage amounts (i.e. on a marginal basis).

The levy is estimated to provide annual revenue of $425 million by 2025–26. The revenue raised from the levy will be utilised as a funding source for future expenditure on mental health and associated services and investment.

Queensland's payroll tax exemption threshold of $1.3 million threshold is one of the highest thresholds of all states and territories, meaning that most small businesses would not be liable for payroll tax. Additionally, the standard rate of 4.75 per cent is one of the lowest tax rates compared to other jurisdictions, and there is 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 $6.5 million that reduces the amount of tax payable between this wage range.

Box 4.2 Tax relief for small and medium businesses

Small and medium businesses are the backbone of Queensland's economy and comprise more than 99 per cent of businesses operating across the state.

Many small and medium enterprises have been severely impacted over the past few years, due to the COVID-19 pandemic and the related health and border restriction measures, as well as natural disasters.

A number of these businesses are also experiencing higher input costs and constraints to grow their operation and workforce, given the tight national labour market and ongoing global supply chain disruptions.

In recognition of the important role that small to medium businesses play in the Queensland economy, the government is providing payroll tax relief to small and medium businesses across the state, through adjustments to the existing payroll tax deduction framework from 1 January 2023.

This targeted payroll support measure will help to minimise the cost pressures on eligible businesses and provide confidence to those businesses to employ additional Queenslanders to take advantage of economic opportunities that are emerging strongly across the state.

Under the current regime, employers, or groups of employers, with annual Australian taxable wages between $1.3 million and $6.5 million can claim a deduction from their taxable wages, which phases out at a rate of $1 for every $4 of taxable wages above the $1.3 million threshold.

The deduction will be extended from the current ceiling of $6.5 million in annual Australian taxable wages up to $10.4 million, reflecting an increase in the phase out rate of the deduction from $1 for every $4 to a rate of $1 for every $7 of taxable wages above the $1.3 million threshold.

This reform is estimated to benefit over 12,000 Queensland businesses and will save a business paying $6.5 million in annual taxable wages over $26,000 in payroll tax each year (Table 4.3).

Table 4.3 Tax savings for indicative annual taxable wages

Annual taxable wages ($)	Tax saving[1] ($)
2,000,000	3,563
4,000,000	13,741
6,000,000	23,920
6,500,000	26,464
8,000,000	16,971
10,000,000	2,829

Note:

1. This represents a full 12 month saving, noting that this policy will only be implemented for a part year in 2022–23. Based on standard tax rates.

Duties

Transfer duty

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

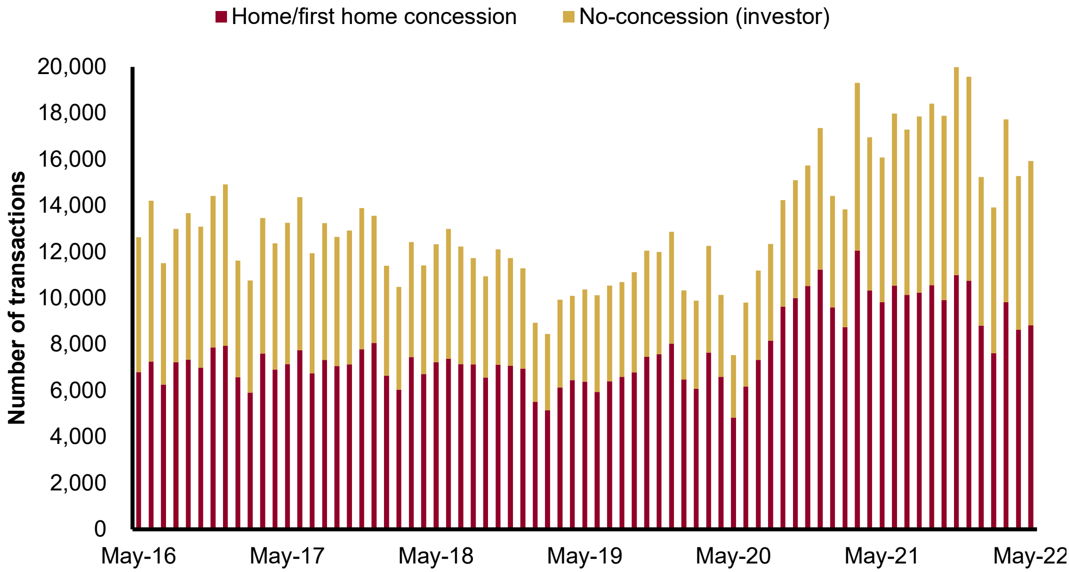
The Queensland Government offers extensive concessions for the transfer of land where the property is purchased as a home. This means eligible home buyers pay a one per cent concessional rate on the first $350,000 of dutiable value, rather than the normal scheduled rates of between 1.5 per cent and 3.5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

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

Transfer duty is estimated to be 52.5 per cent higher in 2021–22 compared with 2020–21, driven by substantial increases in prices and transaction volumes. This reflects strong activity in the residential housing sector since mid-2020, with transactions in all components of the residential market (investors, principal place of residence and first home buyers) showing significant growth, although first home activity has slowed following expiry of the Homebuilder grant.

As shown in Chart 4.4, residential transactions have grown strongly since the peak of the emergency health restrictions required to control the initial spread of COVID-19 in April 2020.

Chart 4.4 Residential property transactions by concession type (monthly)



The level of transfer duty collections in 2022–23 is expected to unwind somewhat as residential housing market activity declines but is still forecast to remain well above previous levels. Residential transaction volumes, which exceeded 207,000 in the 12 months to May 2022 compared to an average of around 149,000 in the previous 5 years, are expected to moderate following the recent surge in activity and in the context of expected future interest rate increases.

As a result, transfer duty is forecast to decline by 21.7 per cent in 2022–23 and by a further 5.9 per cent in 2023–24. However, transfer duty revenue in those years is still expected to remain well above 2019–20 and 2020–21 levels.

After moderating in the near term, transfer duty from the non-residential sector is forecast to grow steadily over subsequent years, supporting a return to overall growth in 2024–25 and 2025–26.

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 2021–22 is expected to be 3.4 per cent higher than in 2020–21, 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 decline by 5.7 per cent in 2022–23, reflecting a return to more normal levels of vehicle transactions as the impact of COVID-19 stimulus measures and the expenditure switching from overseas travel restrictions abates. Vehicle registration duty is then forecast to grow by around 3.3 per cent per annum.

Land tax

Land tax is imposed on the taxable value of a landowner’s aggregated holdings of freehold land owned in Queensland, as at midnight on 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 as at 30 June is equal to or greater than $600,000. Companies, trustees and absentees are liable for land tax if the total taxable value of the freehold land owned as at 30 June is equal to or greater than $350,000.

Land tax is expected to grow by 5.2 per cent in 2021–22 and 10.6 per cent in 2022–23, with the 2022–23 forecast driven by the impact of the solid land value growth expected in line with the current strength of the residential property market. The impact of 3-year averaging of land valuations has moderated the uplift in 2022–23 but additional value growth is expected in the next valuation, resulting in further land tax growth in 2023–24.

Average annual growth of 10.1 per cent is forecast for land tax over the 3 years ending 2025–26, reflecting the flow-on impact of recent and expected ongoing increases in land valuations due to the strength of the residential and non-residential property market.

Box 4.3 Queensland’s competitive land tax settings

Despite the recent increases in land values around the nation, the current threshold and exemptions in Queensland ensures that most landowners won’t have a land tax liability, and those with small investment property holdings generally have only a minimal land tax liability.

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.

The generosity of Queensland’s land tax thresholds is even more apparent when the threshold is put in the context of land values. Queensland’s threshold is competitive having regard to its comparative average dwelling and associated land values. Several other jurisdictions have land tax thresholds that are a much lower proportion of average prices.

Depending on the ownership and use of the land, a range of exemptions may be available meaning the value of exempt parcels is excluded from the total taxable value, reducing the amount you pay.

In particular, the key exemption is for the principal place of residence (the dwelling you live in), meaning that most Queensland homeowners have no liability for land tax. In addition, land tax in Queensland is subject to a system of 3-year averaging of the land value, which helps further reduce the impacts of increasing land values on the tax payable by landholders.

On a comparative basis, landowners in Queensland may be liable for much lower land tax than in other states. For example, an indicative landowner with taxable holdings of $4.5 million in Queensland, would pay $2,698 less than in NSW, $9,975 less than in Victoria and at least $1,300 less than in Western Australia.

Gambling taxes and levies

A range of gambling activities are subject to state taxes and levies. Total gambling tax and levy collections are only expected to be 0.2 per cent higher in 2021–22 compared with 2020–21. This largely reflects the moderation in collections from their elevated levels in 2020–21 as they rebounded from the COVID-19 related weakness on gambling activity in 2019–20.

Total gambling tax and levy collections are expected to grow by 3.6 per cent in 2022–23, largely due to the half year impact of the new racing levy. Average annual growth of 4.5 per cent is forecast for gambling tax revenue over the 3 years ending 2025–26.

Box 4.4 Sustainable funding of the racing industry

On 6 June 2022, the government announced a new funding model to ensure ongoing sustainable funding for Queensland's racing industry.

The new model recognises the significant changes that have occurred in the wagering market through the growth in online betting and will ensure all wagering operators are making an appropriate contribution to the future of the racing industry.

The changes will support 125 racing clubs across Queensland, particularly country racing clubs which play an important role in regional communities. Across the state, 85 communities host a race meeting which is their largest or second largest event each year.

Key elements of the reform are outlined below:

- applying a 5 per cent racing levy additional to the betting tax
- taxing bonus bets or free bets
- hypothecating 80 per cent of total betting tax revenue to Racing Queensland.

The 5 per cent racing levy and taxing of bonus bets are expected to raise an additional $80 million per year. Taxing bonus bets will bring Queensland into line with betting tax arrangements in all other jurisdictions, other than Tasmania.

All additional revenue raised through the levy and taxing bonus bets will be allocated to Queensland's racing industry.

Raising the share of betting tax revenue allocated to the racing industry from the current 35 per cent to 80 per cent will provide certainty for the industry and the 6,500 direct jobs it supports by replacing a range of existing funding streams, including short-term government funding programs.

Long term funding certainty will provide the opportunity to increase prize money, enhance infrastructure and provide better training facilities.

The new funding arrangements will be implemented through amendments to the *Betting Tax Act 2018.* Subject to the passage of legislative amendments, it is proposed that the changes will take effect from 1 December 2022.

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.

The levy commenced at $75 per tonne for general waste and increased by $5 per tonne per annum in its first 3 years of operation. The first annual increase of $5 per tonne was deferred by 6 months to 1 January 2021 to provide financial relief from the impacts of COVID-19.

To help Queensland reach its waste recovery targets, changes to the waste levy will commence from 1 July 2022. These include dividing the existing levy zone into metropolitan and regional levy areas, which will have different annual levy rate increases for each levy area. Additionally, changes to levy exemptions for particular types of waste will take effect from 1 July 2023.

Revenue from the waste disposal levy is estimated to be $331 million in 2021–22, 9.1 per cent higher than in 2020–21. Revenue is forecast to grow by 2.3 per cent in 2022–23 reflecting regulated levy rate increases.

Seventy per cent of proceeds from the waste levy will be used for resource recovery and other programs that reduce the impact of waste and protect the environment and local communities.

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.

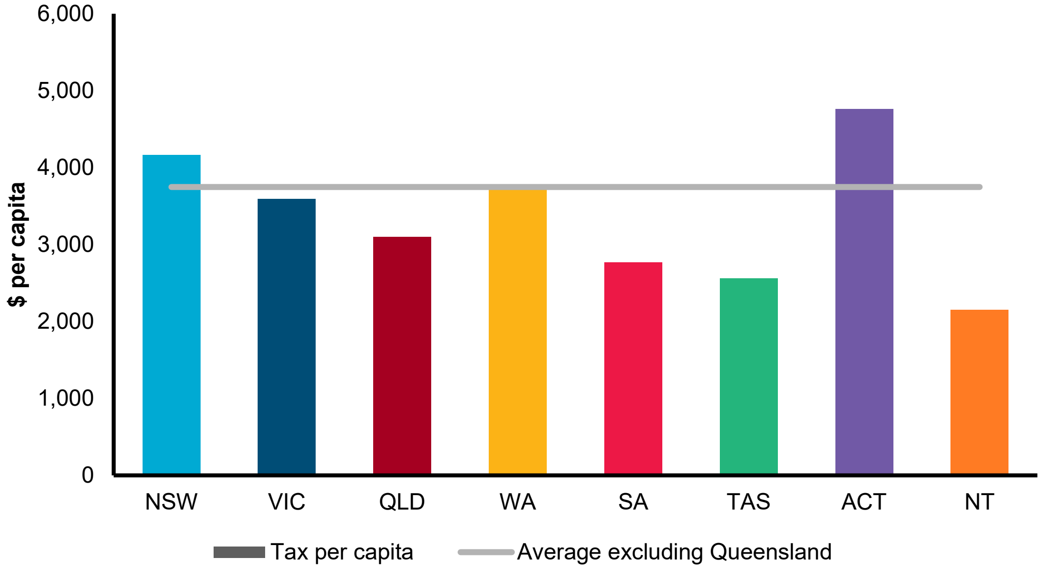
Maintaining a competitive tax regime is also fundamental to the Queensland Government's economic strategy and its commitment to creating more jobs in more industries and maintaining a competitive investment environment.

Importantly, as Chart 4.5 shows, taxation per capita in Queensland was lower in 2020–21 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 2020–21 was $647 less than the average of other jurisdictions.

On average, Queenslanders paid $1,067 less tax than New South Wales residents and $492 less than Victorian residents, as highlighted in Chart 4.5.

Chart 4.5 Taxation per capita, 2020–21



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 2020–21 (latest available CGC estimate, based on 2020–21 data and using total tax revenue effort for CGC assessed taxes) was 1.6 per cent below the national average.

The third measure of tax competitiveness (that is, taxation as a share of GSP) 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 4.4 summarises the estimates of these 3 measures compared with other states and territories and demonstrates that the Queensland tax system is very competitive.

Table 4.4 Tax competitiveness, 2020–21

	NSW	VIC	Qld	WA	SA	TAS	ACT[4]	NT	Avg[5]
Taxation per capita[1] ($)	4,168	3,593	3,101	3,722	2,769	2,560	4,763	2,152	3,748
Taxation effort[2] (%)	102.2	97.9	98.4	99.8	93.8	90.7	148.9	76.1	100.0
Taxation % of GSP[3] (%)	5.3	5.0	4.4	2.8	4.2	4.0	4.7	2.1	4.5

Notes:

1. 2020–21 data (latest available actuals). Sources: *ABS Government Finance Statistics* and *ABS National, State and Territory Population*.
2. 2020–21 data (latest available). Source: Commonwealth Grants Commission 2022 Update - total tax 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. 2020–21 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.

The substantial tax relief provided by the Queensland Government to Queensland businesses and property owners in response to the COVID-19 crisis resulted in significant tax expenditures in both 2019–20 and 2020–21. The Queensland Government continued to provide tax relief and concessions through a range of measures in 2021–22.

The Tax Expenditure Statement (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.

A 5.6 per cent increase in total grants revenue is forecast for 2022–23, primarily driven by increases in GST revenue but partially offset by decreases in Australian Government grants (Table 4.5).

Table 4.5 Grants revenue[1,2]

	2020–21 Actual $ million	2021–22 Est. Act $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Current grants						
GST revenue grants[3]	15,419	15,813	17,811	18,270	19,039	19,200
Australian Government grants	13,834	14,611	14,261	15,300	15,646	16,110
Other grants and contributions	312	292	301	333	290	293
Total current grants	**29,566**	**30,716**	**32,372**	**33,903**	**34,975**	**35,603**
Capital grants						
Australian Government capital grants	3,420	2,594	2,854	3,857	3,265	3,115
Other grants and contributions	27	66	17	20	35	0
Total capital grants	**3,447**	**2,661**	**2,870**	**3,877**	**3,300**	**3,115**
Total Australian Government payments	32,674	33,018	34,925	37,427	37,950	38,424
Total grants revenue	**33,013**	**33,376**	**35,242**	**37,780**	**38,275**	**38,718**

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.

GST revenue

Improvements in the national GST pool, along with an increase in Queensland's share of the pool, have been the key drivers of stronger forecasts for Queensland's GST revenue.

Queensland's GST revenue in 2021–22 is expected to be 2.6 per cent higher than 2020–21, with this growth primarily driven by Queensland receiving a larger share of the GST pool, with the GST pool being slightly larger (growing by less than one per cent) compared with 2020–21.

Queensland's GST revenue is expected to grow a further 12.6 per cent in 2022–23 compared with 2021–22. This increase in GST revenue is primarily due to:

- the Australian Government forecasting particularly strong 9.1 per cent growth in the national GST pool in 2022–23
- the Commonwealth Grants Commission recommending to the Australian Government that Queensland should receive a larger share of GST in 2022–23 compared with 2021–22.

GST revenue is forecast to continue to grow over the forward estimates, by 2.6 per cent in 2023–24, 4.2 per cent in 2024–25 and 0.85 per cent in 2025–26. This reflects the Australian Government's forecast growth in the GST pool over the forward estimates, which is partially offset by the expectation that Queensland's share of the GST pool will decline over this period due to the recent increases in Queensland's mining royalty revenue.

Revisions to the GST pool

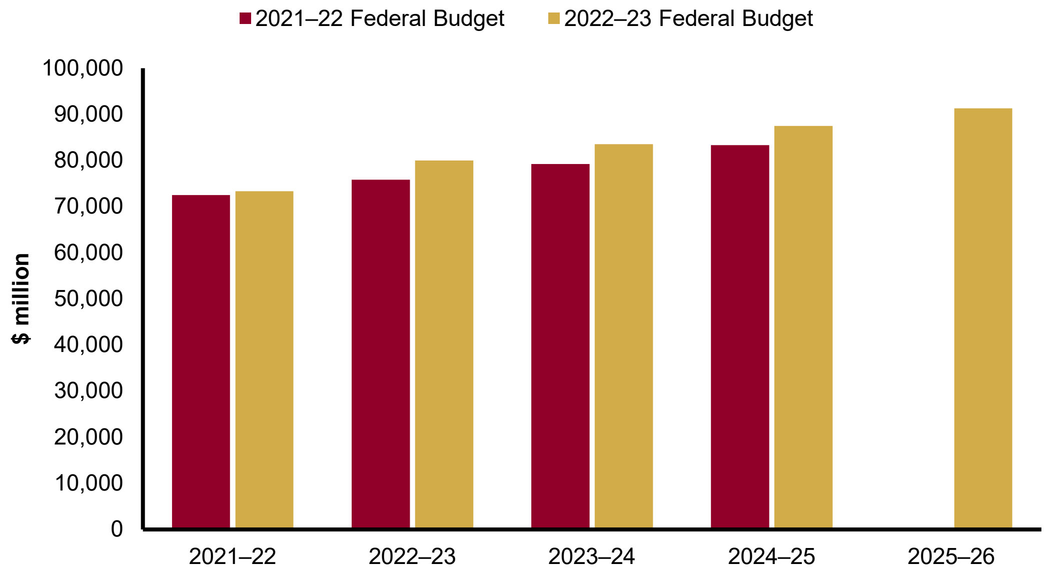
The Australian Government's national GST pool forecasts were upgraded in the 2022–23 Federal Budget, to be $13.4 billion higher across the 4 years to 2024–25 compared with 2021–22 Federal Budget estimates.

The 2022–23 Federal Budget stated that increases in GST receipts largely reflect upgrades to consumption subject to GST and flow-on impacts from strong private dwelling investment.

The 2022–23 Federal Budget also indicated that expected increases in employment and wages are expected to flow through to higher nominal consumption, while the strength of private dwelling investment, combined with near-term supply chain shortages, has driven up prices in the construction sector, thereby flowing through to overall GST collections.

Chart 4.6 compares GST revenue pool forecasts published in the 2020–21 and 2021–22 Federal Budgets.

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



Note

1. The 2021–22 Federal Budget estimates are limited to the 2024–25 financial year.

GST – Queensland's assessed fiscal capacity

In early 2022, the Australian Government accepted the CGC's recommendation that Queensland requires a larger share of GST revenue in 2022–23 compared to 2021–22.

The CGC's recommendation that Queensland receive an increased share of the GST pool was driven by the following factors:

- mining revenue – a decrease in the value of coal production in 2020–21, combined with an increase in the value of iron ore production in Western Australia, reduced Queensland's relative capacity to raise mining revenue
- population growth – Queensland's population growth rate was faster in 2020–21 than in 2017–18, thereby increasing Queensland's assessed need for new infrastructure.

The increase in Queensland's share of the GST pool as a result of these factors was partially offset by the following factors:

- wages expense – wage growth in Queensland was lower than the national average between 2017–18 and 2020–21, decreasing the state's GST share
- Commonwealth payments – Queensland's share of payments, particularly for infrastructure and health expenses was higher in 2020–21 compared to 2017–18, thereby decreasing Queensland's GST share
- capital improvements and cost of construction in 2020–21 compared to 2017–18 – Queensland's total urban transport investment increased faster than growth in the GST pool and cost of construction grew less than the national average, thereby decreasing Queensland's GST share.

However, on balance, given the impacts of these range of factors, the CGC recommended that Queensland's GST share should increase in 2022–23 relative to 2021–22.

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 4.5 Impacts of Australian Government changes to state shares of GST

Queensland faces substantial risks in its longer-term outlook for GST revenue (i.e. beyond the forward estimates period outlined in this Budget) from the changes made to the system of Horizontal Fiscal Equalization (HFE) by the Australian Government in 2018.

The Australian Government legislated changes to HFE with the proposed aim of improving the resilience of the HFE system against economic shocks and to reduce volatility in GST revenues to states and territories.

As a result of the changes, states will no longer receive GST revenue to equalise them to the same standard as the fiscally strongest state. Instead, states will be equalised to a 'similar standard' – in effect being the stronger of New South Wales or Victoria.

However, under the Australian Government's changes, Western Australia (which has been the fiscally strongest state over the long term) will now retain a much greater share of GST revenue at the expense of all other states once the 'no worse off' guarantee expires in 2026–27.

At a time when all other states and territories are facing fiscal challenges and are recovering from the substantial fiscal impacts of COVID, Western Australia is estimated to have a net operating surplus in every year from 2020–21 to 2025–26 of between $1.5 billion and $5.8 billion, partially reflecting these Australian Government changes to GST.

These changes are now leading to a real and fundamental reshaping of states' fiscal capacities.

Under the Australian Government's changes, Western Australia is benefiting from its heightened iron ore mining royalties without appropriate adjustments being made to its share of GST revenue.

The Commonwealth's own estimates for payments under the 'no worse off' guarantee are estimated to total almost $15 billion over the forward estimates as a consequence of this. When the guarantee expires at the end of 2026–27, this cost will be borne by the states other than Western Australia.

The Queensland Government is continuing to engage with the Australian Government in advance of 2026–27 to provide greater certainty and fairness in relation to future GST payments. This will be critical to inform future state budgets.

A review of the changes is scheduled to be undertaken by the Australian Productivity Commission prior to the expiry of the 'no worse off' guarantee.

Queensland considers this review needs to be prioritised, with a clear emphasis on the long-term fiscal impacts of the changes, to ensure the review informs further consideration of the Australian Government's changes and to ensure Queensland continues to receive its fair share of GST revenue over the longer term.

Australian Government payments

Australian Government payments to Queensland in 2022–23 are expected to total $34.925 billion, representing an increase of $1.907 billion (5.8 per cent) compared to payments in 2021–22. This increase is attributable to a 12.6 per cent increase in GST.

Chapter 7 provides a detailed overview of Federal-State 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 (0.9 per cent in 2022–23).

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.

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

Coal and oil prices have risen substantially since the 2021–22 Queensland Budget, providing a short-term boost to revenues. However, the recent spike 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 in 2023, but the timing and extent of the decline remains uncertain. Forecast royalties and land rents are detailed in Table 4.6.

Table 4.6 Royalties and land rents[1]

	2020–21 Actual $ million	2021–22 Est. Act $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Coal	1,740	7,290	5,480	3,297	3,539	3,699
Petroleum[2]	298	1,185	1,626	1,116	1,025	996
Other royalties[3]	499	483	538	505	488	494
Land rents	126	176	190	193	198	203
Total royalties and land rents	**2,662**	**9,135**	**7,832**	**5,112**	**5,251**	**5,392**

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.

Box 4.6 Progressive coal royalty rates

Coal royalties are designed to ensure all Queenslanders receive a fair and appropriate return on the state's valuable and limited natural resources.

The royalty rate for coal is determined based on the average price per tonne of coal sold, disposed of or used in a royalty return period.

Since 1 October 2012, the highest marginal royalty rate applicable to Queensland coal royalties has been a rate of 15 per cent, payable on that part of the average price per tonne exceeding A$150.

Given the exceptional surge in coal prices experienced across 2021 and early 2022, with spot metallurgical coal prices reaching as high as around A$900 per tonne, the current royalty structure does not provide a fair return to Queenslanders during periods of such high prices.

To ensure Queenslanders receive a fair return on the use of the state's valuable and limited natural resources in periods of high prices, the government is introducing 3 new tiers to the coal royalty structure, with effect for coal sold, disposed of or used on or after 1 July 2022:

1. an additional tier with a rate of 20 per cent on that part of the average price per tonne that is more than A$175 but not more than A$225
2. a further tier with a rate of 30 per cent on that part of the average price per tonne that that is more than A$225 but not more than A$300
3. a further tier with a rate of 40 per cent on that part of the average price per tonne that is more than A$300.

This is estimated to generate additional royalty revenue of around $1.2 billion over the 4 years ending 2025–26. However, a substantial proportion (around $765 million) will be in 2022–23, as coal prices are expected to return to longer run prices over the next year.

The addition of the new tiers is not expected to have any material impacts on the coal industry or viability of producers, given the increases are applied only at relatively high prices.

Based on unit export values over the past 10 years, average hard coking coal prices have only been higher than A$175 per tonne around half the time, while average thermal coal prices have only been above A$175 per tonne around 2.5 per cent of the time over this period (based on monthly averages, only observed in 3 months over the 10 year period ending February 2022) (Chart 4.7).

The increased return to Queenslanders received during future periods of high prices will help enable the provision of essential infrastructure and services to meet the needs of Queenslanders across all regions of the state.

Historical changes in coal royalty rates and tiers

It is also important to recognise that coal companies have experienced a long period of stability in terms of the royalty regime, without any changes to royalty rates or price tiers in Queensland over almost a decade since October 2012, despite prices rising substantially over that time.

This follows a range of changes to the royalty regime prior to that period, with at least 6 major changes made to coal royalty rates over the previous 20 years.

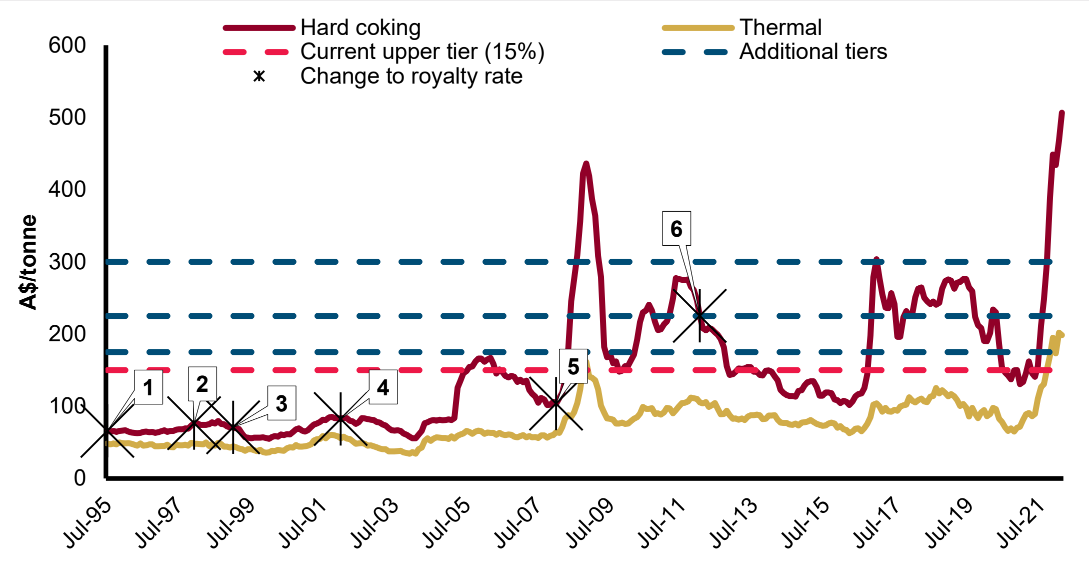
This included the introduction in 2008 of a second tier with a new top rate of 10 percent over A$100 per tonne, and in 2012 the introduction of a 3 tier system of 7 per cent up to A$100 per tonne, 12.5 per cent above A$100 up to A$150 per tonne, and 15 percent above A$150 per tonne.

However, prices have increased substantially over the last few decades, from well under A$100 per tonne in the 1990s, with an underlying persistent upward trend in prices over time, including previous periods of exceptionally high prices.

As such, the changes being made are timely and appropriate to ensure the state's coal royalty regime continues to provide a fair return to Queenslanders during future periods of high prices.

Chart 4.7 outlines the extent to which major changes have been made to the coal royalty rates since the 1990s.

Chart 4.7 Historical average coal prices



Notes:
1. 1994: standard rate of 7 per cent of value for exports.
2. 1997–98: base special royalty (BSR) was introduced for certain mines. Where BSR applied, the coal royalty rate was 5 per cent, with 7 per cent applying to any excess tonnage.
3. 1999: standard 7 per cent royalty applied from 1 July 2000 (no reduction where BSR paid). BSR was reduced to $3.00 per tonne (ending June 2000).
4. 2002: deductions for rail freight and road haulage ceased to apply.
5. 2008: additional tier added, with rate of 7 per cent applied up to A$100 per tonne, and a 10 per cent rate applied over A$100 per tonne.
6. 2012: further changes to tier structure: 7 per cent applied to a value of up to A$100 per tonne, 12.5 per cent to values from over A$100 to A$150 per tonne, and 15 per cent to values above A$150 per tonne.

Source: ABS International Trade in Goods and Services (unpublished)

Coal royalties

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

The lower level of royalties collected from thermal coal mining compared with hard-coking coal reflects the smaller volume of thermal coal mined in Queensland, the lower values per tonne of thermal coal and the 3-tiered coal royalty rate system, where lower value coal is subject to a lower average royalty rate. In 2021, coking coal represented almost 75 per cent of coal exported from Queensland.

Coal royalties are expected to total $7.290 billion in 2021–22. The increase has been driven by significant increases in global coal prices, which have been reflected in price rises for Queensland coal exports. On a year-average basis, the premium hard coking coal price is estimated to be US$364 per tonne in 2021–22, an increase of more than 200 per cent on 2020–21.

A key driver of the recent surge in coal prices has been China's strong demand for coal from other exporters (due to its reduced importation of Australian coal), which appears to have temporarily distorted global market dynamics, leading to a shortage in supply.

Coal prices have also been impacted as a result of European buyers reducing their purchases of Russian coal following the commencement of the Russia-Ukraine conflict.

COVID-19 and weather-related supply shortages are also impacting prices. Significant weather events globally included:

- weeks of heavy rain in September and October 2021 affecting coal mines in Mongolia and China
- heavy rains and mudslides crippled various coal infrastructure in Canada
- heavy rains in Indonesia in late 2021 which delayed shipments.

In addition, a number of weather events impacted on Australian supply. For example, heavy rainfall linked to La Niña weather conditions disrupted Australian supply, especially in New South Wales, leading to a declaration of force majeure in March 2022 at the Port Kembla Coal Terminal (72km south of Sydney).

In addition, there have been some coal mine closures, for example:

- Moranbah North (supplying metallurgical coal) was temporarily closed after an incident in late March 2022 (operations restarted on 31 May 2022)
- Gregory coal mine (supplying metallurgical coal) reopening was delayed after an incident in September 2021 (operations expected to resume in September quarter 2022)
- Curragh coal mine (supplying metallurgical and thermal coal) was temporarily closed in November 2021 (mine reopened after 3 weeks).

The above events caused considerable disruption, which along with labour constraints resulted in tighter supply putting additional upward pressure on prices.

This has been further exacerbated by restocking demand due to power plants/steel mills drawing down their stockpiles of coal.

However, the primary factors and disruptions that have driven the recent spike in global coal prices are expected to be temporary in nature. COVID-19 and weather-related issues are expected to subside, resulting in an easing of the supply constraints and thus lessening the upward pressure on coal prices.

Further, China has begun to reduce its coal import volumes and rely more on its own domestic supply, driven by the recent slowdown in the Chinese economy. This is expected to moderate the global market distortions currently impacting prices.

In addition, prices of steel products globally have grown more slowly than prices for coal. For example, across the year ending 31 May 2022, average steel rebar prices were around 19 per cent higher than the previous year while the average price of steel products was around 21 per cent higher. In comparison, over the year ending 31 May 2022, average premium hard coking spot prices were around 221 per cent higher than the previous year.

The slower growth in steel prices will potentially lead to reduced profit margins for steel producers, given metallurgical coal is a key input into steel making. This implies that the current high hard coking coal prices are not sustainable in the longer term and downward pressure on coal prices is expected in the near term.

Current forecasts assume no Queensland coal is being exported to China over the forward estimates, however any changes to the current trade relationship with China could lead to the price of coal unwinding sharply. Developments in the Russia/Ukraine conflict could also lead to a significant downward risk to coal prices in the future.

The above commentary is supported by analysis from the Office of the Chief Economist for the Australian Government's Department of Industry, Science, Energy and Resources[1] which made several points in regard to metallurgical coal prices.

- *A series of weather disruptions affecting coal mines in Mongolia and China resulted in upward price movements in late 2021, with the largest effect following weeks of heavy rains in September and October.*
- *Non-weather supply disruptions have also picked up early in 2022, with infrastructure bottlenecks constraining output in Russia, and COVID impacts starting to affect output from Australia. On top of this, the Russian invasion of Ukraine sent prices to new records in March.*
- *It is expected that disruptions will ease on some fronts over the remainder of 2022, allowing prices to start correcting. Over the outlook period, hard coking coal prices are expected to ease back from a war-affected peak of around US$460 a tonne in the March quarter 2022, to reach US$172 a tonne by the March quarter 2023. Prices are then expected to stabilise at around US$150 a tonne towards the end of the outlook period.*

While the issues discussed above indicate that coal prices are expected to decline significantly in time, the precise timing and magnitude of such a decline is not known. Treasury has taken an appropriately conservative approach to its coal forecasts and assumed prices will normalise in 2023.

[1] Australian Government (Department of Industry, Science, Energy and Resources, *Office of the Chief Economist - Resources and Energy Quarterly March 2022*, 2022 www.industry.gov.au/req accessed 6 June 2022

Given the expectation of substantially lower coal prices over subsequent years compared with the prices seen in late 2021 and the first half of 2022, coal royalty revenue is forecast to decline by almost 25 per cent in 2022–23 and by a further 40 per cent in 2023–24.

This largely reflects an expected 43.4 per cent fall in 2022–23 in hard coking coal prices (to US$206 per tonne) and a further fall in prices in 2023–24 (returning to US$160 per tonne).

Coal royalty revenue is forecast to grow by 7.3 per cent in 2024–25 and by a further 4.5 per cent in 2025–26 with crown export coal tonnages[1] forecast to gradually increase over this period. This largely reflects the continued recovery in global economic activity from the COVID-19 pandemic.

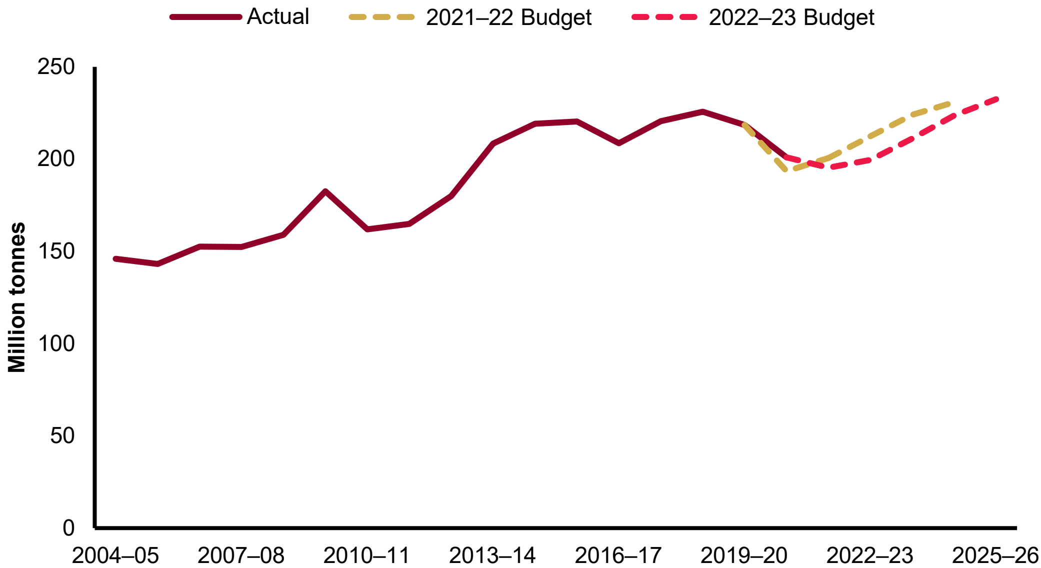
Chart 4.8 shows coal export tonnage forecasts compared to the 2021–22 Queensland Budget outlook. This highlights that coal export tonnages have been revised downwards by around 4 per cent over the 4 years ending 2024–25, driven by the supply side issues discussed earlier and softer global demand.

Queensland's coal export volumes have held up well despite restrictions on Chinese coal imports from October 2020. By November 2021, almost 90 per cent of the reduction in Queensland export tonnages to China had been offset by increased exports to India (up 17.2 million tonnes (Mt) to 58.1 Mt), Japan (up 11.5 Mt to 47.8 Mt) and South Korea (up 8.9 Mt to 32.7 Mt).

However, sustained exceptionally high prices for both metallurgical and thermal coal in late 2021 and so far in 2022 have tempered global demand for coal, resulting in a decline in export tonnages since late 2021. Coal export volumes peaked at 225 Mt in 2018–19. This is not expected to be reached again until 2025–26.

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

Chart 4.8 Export coal tonnages[1]



Note:

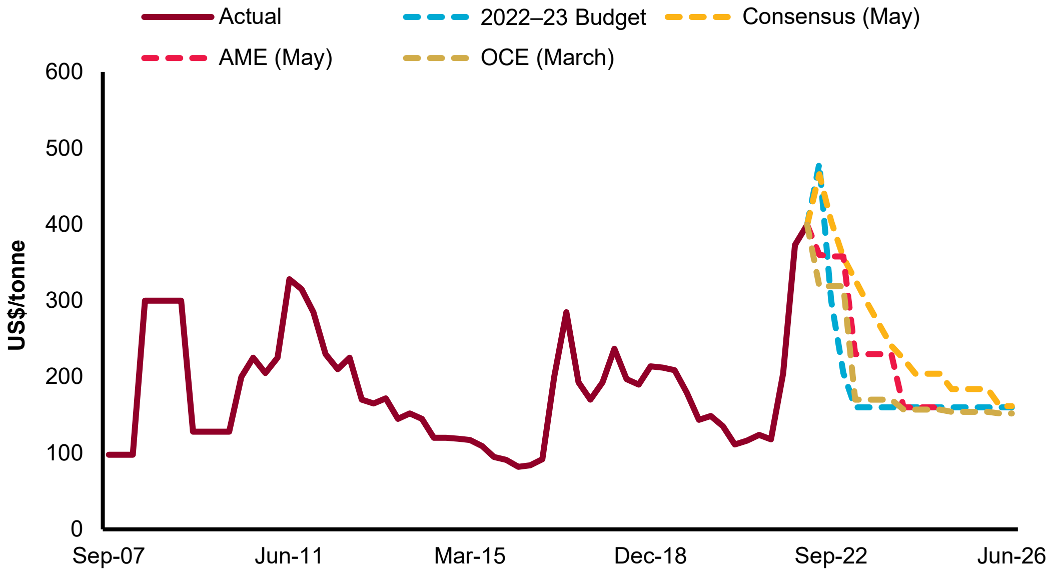
1. Includes coal exports where royalties are not paid to the government, i.e. private royalties. This will not align with tonnages presented in Appendix C which exclude private royalties.

Source: Unpublished ABS trade data and Queensland Treasury

Chart 4.9 shows hard coking coal price forecasts compared to the average quarterly price forecasts from the latest Consensus Economics forecasts, as well as forecasts from AME and the Department of Industry, Science, Energy and Resources' (Australian Government) Office of the Chief Economist (OCE).

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.

Chart 4.9 Coking coal price forecasts



Sources: Consensus Economics, AME, OCE and Queensland Treasury.

An ongoing risk to coal 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, South East Asia is generally moving away from coal fired power due to limited finances to fund coal fired power projects.

However, as outlined above, the majority of Queensland's coal exports are metallurgical coal, with thermal coal only representing around 26 per cent of total coal exports in terms of volumes and 17 per cent in terms of values (based on 2021 export data).

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.

In 2021–22, revenue from petroleum and gas royalties are estimated to total $1.185 billion, 87.7 per cent higher than forecast at the 2021–22 Queensland Budget.

This is driven by the recent surge in oil prices, which rose from a low of US$6 per barrel on 21 April 2020 to over US$100 per barrel in 2022. Across 2021–22, the average (lagged)[1] price of oil is expected to increase to US$77 per barrel.

This also reflects 2021–22 being the first full year under the new volume-based royalty model, which replaced the previous wellhead model in October 2020.

The faster than expected recovery in the global economy has seen oil consumption grow at a faster rate than oil production, drawing down inventories and boosting oil prices to elevated levels, even prior to the Russian invasion of Ukraine. However, the commencement of the Russia-Ukraine conflict exacerbated the upward pressure on global oil prices, which increased from US$103 per barrel on 23 February 2022 (the day before the invasions) to a peak of nearly US$140 per barrel in early March 2022.

Reflecting the persistent elevated prices, the average (lagged) price of oil across 2022–23 is expected to increase to US$96 per barrel. As a result, petroleum royalties are forecast to grow by a further 37.1 per cent in 2022–23.

Oil production is expected to overtake oil consumption in 2022, which should put downward pressure on prices. Therefore, oil prices are expected to moderate from current levels over the forecast period reaching US$75 per barrel from September quarter 2024 onwards.

Reflecting the expected return to more sustainable oil prices, petroleum royalty revenue is expected to decline by 31.3 per cent in 2023–24, followed by falls of 8.2 per cent in 2024–25, and 2.8 per cent in 2025–26.

Other royalties

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

Revenue from other royalties is estimated to total $483 million in 2021–22, 3.1 per cent lower than in 2020–21. This is largely driven by higher shipping costs, partially driven by COVID-19 related disruptions, which can be deducted from the mining revenue that is subject to royalty.

Revenue from Other royalties are expected to grow by 11.2 per cent in 2022–23 driven by a rise in bauxite royalties as bauxite volumes and values increase.

Other royalties are expected to decline by 6.0 per cent in 2023–24 and then by a further 3.4 per cent in 2024–25 because of declining prices across major base and precious metals.

[1] Published Brent oil prices are lagged by 4 months to better align with royalty revenue.

Land rents

Revenue from land rents derived from mining and petroleum leases and pastoral holdings is estimated to total $176 million in 2021–22, an increase of 39.4 per cent compared with 2020–21. This primarily reflects a rebound from low land rents collected in 2020–21 driven by the write down in revenue from rents during the COVID-19 crisis due to the government's relief measures.

Revenue from land rents is forecast to grow by a further 7.9 per cent in 2022–23 reflecting higher rental valuations.

Revenue from land rents is then expected to grow modestly.

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 4.7 provides a breakdown of the categories of goods and services captured in terms of these revenues.

Table 4.7 Sales of goods and services[1]

	2020–21 Actual $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Fee for service activities	2,552	2,769	2,750	2,798	2,641	2,671
Public transport: South East Queensland	209	215	275	363	414	415
Rent revenue	530	534	572	598	610	624
Sale of land inventory	48	102	119	110	48	26
Hospital fees	819	877	886	892	899	906
Transport and traffic fees	492	504	523	538	554	572
Other sales of goods and services	1,413	1,031	1,055	1,223	1,086	1,101
Total	**6,063**	**6,032**	**6,181**	**6,521**	**6,253**	**6,316**

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

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 $2.561 billion in 2021–22, 0.9 per cent higher than expected at the 2021–22 Budget, and 31.5 per cent higher than received in 2020–21. The increase in interest income in 2021–22 largely reflects the first full year earnings from the Queensland Future Fund (QFF) – Debt Retirement Fund (DRF).

Interest income is forecast to grow on average by around 4.3 per cent across the 4 years ending 2025–26.

4.4.6 Dividend and income tax equivalent income

Revenue from dividend and income tax equivalent income is estimated to total $672 million in 2021–22, $639 million (48.7 per cent) lower than in 2020–21, and $470 million (41.2 per cent) lower than expected at the time of the 2021–22 Queensland Budget. These movements are primarily due to the government decision to allow the government-owned corporations (GOCs) to retain their dividends of around $580 million for 2021–22.

Dividend and income tax equivalent income is forecast to rebound in 2022–23, followed by more moderate growth of 4.8 per cent in 2023–24. This is driven by a return to normal GOC dividend policy from 2022–23.

Dividend and income tax equivalent income is forecast to fall by 21.6 per cent in 2024–25 and 3.0 per cent in 2025–26. The declines primarily reflect lower forecast profits in the electricity generation sector, with the entry of renewables boosting supply into the grid placing downward pressure on wholesale electricity prices.

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 12.6 per cent of total General Government Sector revenue in 2022–23 (see Table 4.8). Royalties and land rents account for 10.6 per cent of total revenue in 2022–23 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 forecast to grow by 43.6 per cent in 2022–23, partly driven by the increase in penalties for high-risk driving offences, including mobile phone and seatbelt offences, and the planned rollout of additional detection cameras.

After providing for the cost of administration, funds raised from these initiatives 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 where accidents happen most frequently, road safety education and awareness programs 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 4.8 Other revenue[1]

	2020–21 Actual $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Royalties and land rents	2,662	9,135	7,832	5,112	5,251	5,392
Fines and forfeitures	450	530	762	775	786	788
Revenue not elsewhere classified	1,036	929	681	664	1,162	668
Total other revenue	**4,148**	**10,594**	**9,275**	**6,552**	**7,199**	**6,848**

Note:

1. Numbers may not add due to rounding.

5 Expenses

Features

- Expenses for 2022–23 are estimated to be $74.915 billion, an increase of $4.095 billion on 2021–22. The increase is due to the Queensland Government's significant boost to the health system (including mental health services), school based education initiatives, support for child protection services and the response to the Queensland Women's Safety and Justice Taskforce *Hear her voice – Report one – Addressing coercive control and domestic family violence in Queensland*, a significant disaster recovery, resilience and reconstruction program and a $175 Cost of Living Rebate on Queensland households' power bills at a cost of $385 million.
- Beyond 2022–23, growth in General Government Sector expenses is expected to moderate.
- Total expenses are projected to grow at an average annual rate of 4.1 per cent over the 5 years to 2025–26, below average annual revenue growth of 4.5 per cent over the same period.
- In 2022–23, the major areas of expenditure are in the key frontline services of health and education, which together constitute approximately 54.3 per cent of General Government Sector expenses.

This chapter provides an overview of General Government Sector expenses for the forecast 2022–23 budget year and projections for 2023–24 to 2025–26. The forward estimates are based on the economic projections outlined in Chapter 2.

5.1 2021–22 estimated actual

General Government Sector expenses in 2021–22 are estimated at $70.820 billion. The increase compared to 2020–21 is due in large part to the ongoing COVID-19 health response and business support grants and payments to non-government schools and local councils. Following the rollout of the vaccines and lifting of border restrictions, Queensland is transitioning to the post COVID-19 phase in 2022–23.

In 2021–22, General Government Sector expenses are estimated to be $1.093 billion higher than the 2021–22 Budget Update.

The increase in expenses since the 2021–22 Budget Update is largely driven by:

- advance payments being made to councils in relation to revenue collected from the waste disposal levy
- the Australian Government's advance payment of financial assistance grants to local governments in 2021–22 for the 2022–23 financial year

- the response to pressures arising from the increase in demand for out-of-home care services in the child protection system
- a range of school education related initiatives and increased funding under the National School Reform Agreement and associated Bilateral Agreement
- disaster relief payments including personal hardship, primary producer and small business payments following the significant 2021–22 disaster season under the Disaster Recovery Funding Arrangements (DRFA) in partnership with the Australian Government.

5.2 2022–23 Budget and outyears

Table 5.1 General Government Sector expenses[1]

	2020–21 Outcome $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Employee expenses	26,501	27,931	30,076	31,253	32,665	33,657
Superannuation interest costs	246	378	655	633	655	653
Other superannuation expenses	3,073	3,421	3,493	3,676	3,811	3,983
Other operating expenses	16,335	19,002	19,805	19,493	18,868	18,935
Depreciation and amortisation	4,187	4,474	4,652	4,806	4,985	5,190
Other interest expenses	1,619	1,563	1,826	2,242	2,576	2,887
Grants expenses	11,709	14,051	14,407	14,013	13,030	12,530
Total Expenses	**63,669**	**70,820**	**74,915**	**76,116**	**76,591**	**77,836**

Note:
1. Numbers may not add due to rounding.

General Government Sector expenses of $74.915 billion in 2022–23 represent an increase of $4.095 billion (or 5.8 per cent) over 2021–22. Key initiatives contributing to the growth in expenditure in 2022–23 include:

- additional funding for Queensland's health system to meet the ongoing growth in demand for public hospital and health services, including mental health services
- funding for a range of school education related initiatives, funding to support kindergartens, and additional funding under the National School Reform Agreement and associated Bilateral Agreement
- a significant disaster relief program of works under the DRFA following the South East Queensland Rainfall and Flooding 22 February – 5 April 2022 event, in partnership with the Australian Government
- $385 million to provide a $175 Cost of Living Rebate on Queensland households' power bills

- responding to ongoing pressures arising from an increase in demand in the child protection system
- delivering the Queensland Government's response to the Queensland Women's Safety and Justice Taskforce *Hear her voice – Report one – Addressing coercive control and domestic family violence*.

Growth in General Government Sector expenses is expected to moderate over the remaining forward estimates as the government remains committed to its Fiscal Principle 2 and return to operating surplus by 2024–25.

5.3 Expenses by operating statement category

As outlined in Chart 5.1, employee and superannuation expenses account for 45.7 per cent of total General Government Sector expenses. Other operating expenses (26.5 per cent) follows, reflecting non-labour costs of providing goods and services to government and non-government recipients including transport service contract payments and repairs and maintenance.

Chart 5.1 Expenses by operating statement category, 2022–23

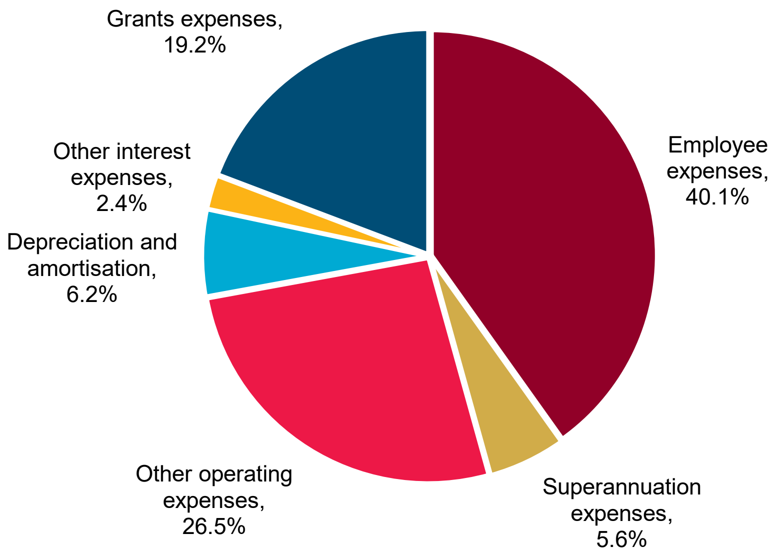
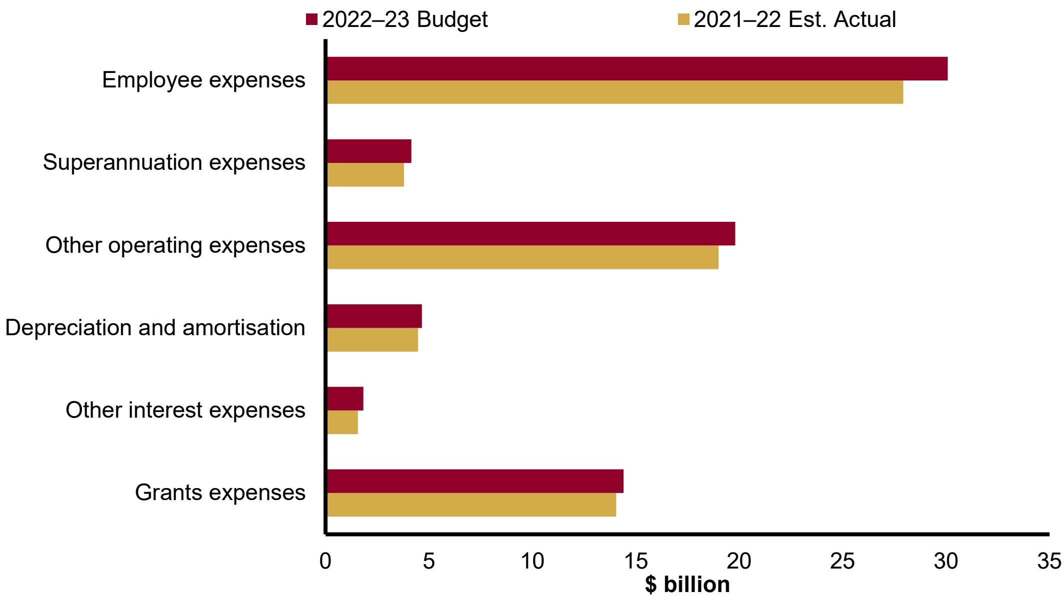


Chart 5.2 compares 2022–23 budget and 2021–22 estimated actual expenses by operating statement category.

Chart 5.2 Expenses by operating statement category – 2022–23 budget estimate and 2021–22 estimated actual



5.3.1 Employee expenses

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

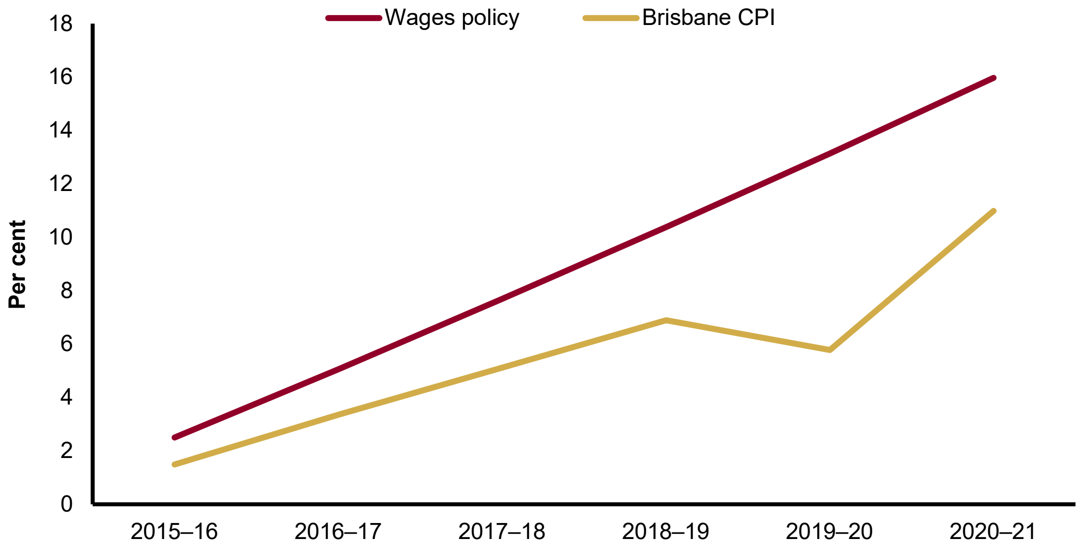
In 2022–23, employee expenses are expected to be $30.076 billion, $2.145 billion or 7.7 per cent higher than the 2021–22 estimated actual.

Employee expenses growth over the forward estimates is broadly in line with population growth, government election commitments towards supporting frontline services, and wages policy. Wage increases are assumed to be consistent with existing agreements and an allowance for future bargaining agreements.

With several key public sector bargaining agreements nominally expiring during 2022, the Government is committed to participating in good faith bargaining to establish wage increases for the next period, taking into account the prevailing economic environment. Previous and current public sector enterprise bargaining agreements were established based on a public sector wages policy, including 2.5 per cent per annum wage increases. Chart 5.3 compares the cumulative growth in wages policy since 2015–16 with the Brisbane Consumer Price Index. Public sector wage growth exceeded cost of living increases over that period. Over the six years to 2020–21, wages under the wages policy increased by 16 per cent, whereas inflation rose by 11 per cent.

While wage increases were deferred in 2020 due to the financial pressures of the COVID-19 pandemic, all affected public sector agreements incorporated an additional 2.5 per cent wage increase at a later date to ensure there was no ongoing impact for public sector employees.

Chart 5.3 Comparison of cumulative growth – wages policy and Brisbane CPI



Sources: ABS Consumer Price Index and Queensland Treasury

Full-time equivalents

The government is delivering on its commitment to revitalise frontline service delivery. This has contributed to full time equivalents (FTE) increasing 40,692.28 FTE (or 20.44 per cent) from 2014–15 to 2021–22.

Between March 2015 and March 2022:

- teachers increased by 5,788 (or 13.75 per cent)
- teacher aides increased by 1,377 (or 14.78 per cent)
- nurses increased by 10,638 (or 38.10 per cent)
- health practitioners increased by 5,077 (or 51.38 per cent)
- doctors increased by 3,106 (or 39.16 per cent)
- ambulance officers increased by 1,103 (or 29.71 per cent)
- police officers increased by 733 (or 6.52 per cent)
- firefighters increased by 204 (or 8.49 per cent).

As at March 2022, 91.59 per cent of public servants are engaged in frontline and frontline support roles, with 20,339 FTE in corporate service roles.

The government is also committed to ensuring that public service staff are located where there is demand. Around 47 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 around 8,175 in 2022–23, driven principally by increases in health, education and other frontline services, including police and child safety.

In keeping with Savings and Debt Plan goals, total sector FTE levels continue to be actively managed through approved agency FTE caps. Unutilised FTE positions have been reallocated to resource new priority functions through the whole-of-government pool of unallocated FTE (FTE Pool), where they cannot be managed within an agency's existing FTE levels. The FTE Pool has been fully utilised to support the setting of FTE levels for 2022–23.

Temporary restrictions on non-frontline recruitment activity have ceased, giving agencies flexibility to manage within approved FTE caps. Central oversight of external recruitment to senior executive service positions will continue to ensure close management of the senior executive cohort.

The Public Service Commission publishes a bi-annual Queensland Public Sector Workforce Profile, which includes specific reporting of agencies listed in Table 5.2. The March 2022 workforce profile reports a total of 239,737.20 FTE for these agencies, an increase of 3,253.90 FTE since September 2021. The increase reflects growth of 2,776.94 FTE frontline and frontline support roles and 476.96 FTE non-frontline roles. It is noted that the reporting basis of the workforce profile reflects active FTE engaged at March 2022 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]

	2021–22 Adjusted Budget[3]	2021–22 Est. Act.	2022–23 Budget[4]
Agriculture and Fisheries	2,108	2,108	2,108
Children, Youth Justice and Multicultural Affairs	5,286	5,280	5,384
Communities, Housing and Digital Economy	3,590	3,573	3,518
Education	75,706	75,676	76,774
Electoral Commission of Queensland	76	76	81
Employment, Small Business and Training	4,576	4,566	4,778
Energy and Public Works	2,319	2,303	2,303
Environment and Science	2,841	2,839	2,863
Justice and the Attorney-General	3,628	3,634	3,792
Office of the Inspector-General Emergency Management	22	22	22
Premier and Cabinet	455	450	474
Public Service Commission	64	64	64
Queensland Audit Office	191	191	191
Queensland Corrective Services	6,599	6,597	6,606
Queensland Fire and Emergency Services	3,809	3,808	3,901
Queensland Health	99,266	99,480	105,686
Queensland Police Service	16,920	16,923	17,548
Queensland Treasury	1,291	1,278	1,258
Regional Development, Manufacturing and Water	586	589	602
Resources	1,550	1,531	1,425
Seniors, Disability Services, and Aboriginal and Torres Strait Islander Partnerships	1,961	1,959	1,903
State Development, Infrastructure, Local Government and Planning	993	986	974
The Public Trustee of Queensland	637	637	606
Tourism, Innovation and Sport	467	463	472
Transport and Main Roads	7,489	7,488	7,498
Other[2]	40	135	..
Total	**242,470**	**242,656**	**250,831**

Notes:

1. Departmental FTE can also be found in the Service Delivery Statements (SDS).
2. Other relates to whole-of-government unallocated FTE pool established in the 2021–22 Budget. The FTE pool has been fully utilised to support resourcing of approved functions in the 2022–23 Budget.
3. Adjusted Budget reflects movements of FTE following Machinery of Government changes only.
4. In addition to the FTE positions outlined above, a Norfolk Island Taskforce has been established to support Queensland's delivery of services on Norfolk Island and the implementation of the *Intergovernmental Partnership Agreement on State Service Delivery to Norfolk Island*. This includes up to 28 FTE across Queensland Health, the Department of Education and the Department of the Premier and Cabinet. These FTE are fully funded by the Australian Government.

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 plan assets.

Superannuation interest costs are dependent on the applicable discount rates at the beginning of the year. Rate increases in 2021–22 are resulting in higher superannuation interest cost in 2022–23.

Bond yields are forecast to rise over the forward estimates increasing superannuation interest costs by $277 million in 2022–23. The impact on superannuation interest costs from rising government bond yields in the latter part of the forward estimates is largely offset by the declining defined benefit superannuation liability. The 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).

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, repairs and maintenance, consultancies, contractors, electricity, communications 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 non-government organisation indexation rate, on which this funding is calculated, is 2.88 per cent in 2022–23.

In 2022–23, other operating expenses are expected to be $19.805 billion, an increase of $803 million, or 4.2 per cent, compared to the 2021–22 estimated actual.

The increase in other operating expenses is driven mainly by:

- school education-related initiatives and additional funding under the National School Reform Agreement and associated Bilateral Agreement
- the $175 Cost of Living Rebate on Queensland households' power bills, at a cost of $385 million in 2022–23
- ongoing pressures arising from increased demand for out-of-home care services within the child protection system

- an increase in transport funding including higher Transport Service Contract payments to Queensland Rail.

The growth in other operating expenses in 2022–23 is partly offset by lower health expenditure as the need for the COVID-19 response and quarantine services largely conclude in 2021–22.

Other operating expenses are expected to decline from 2023–24, partly reflecting the $385 million Cost of Living Rebate payment made in 2022–23 and a reduction in project works as the Cross River Rail project draws closer to completion.

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.

Other interest expenses are estimated to increase $263 million in 2022–23 to $1.826 billion compared to $1.563 billion in 2021–22 as borrowing with QTC increases to fund the larger capital program.

Other interest expenses are estimated to be lower in 2021–22 and 2022–23 compared to 2021–22 Budget Update due to the improved net cash flows from operating activities from upward revisions to taxation and royalty revenue.

Rising interest rates result in higher interest costs from 2023–24 compared to the 2021–22 Budget Update.

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 other non-government entities, such as business and households (including the Queensland First Home Owners' Grant and non-state schools) for capital purposes.

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

Table 5.3 Grant expenses[1]

	2020–21 Outcome $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million
Current			
Grants to local government[2]	716	1,663	325
Grants to private and not-for-profit organisations			
State funding for non-state schools	754	819	829
Australian Government funding for non-state schools	3,176	3,627	3,818
Other	1,852	2,558	2,783
Grants to other sectors of government			
Community service obligations to PNFCs	474	551	659
Other payments to PNFCs	68	120	87
Other (includes payments to NDIA)	2,101	2,039	2,141
Other	433	449	839
Total current grants	**9,574**	**11,826**	**11,481**
Capital			
Grants to local government	1,048	1,266	1,956
State funding for non-state schools	102	118	120
Grants to private and not-for-profit organisations	492	422	449
Payments to PNFCs	43	20	65
Queensland First Home Owners' Grants	183	145	96
Other	267	254	241
Total capital grants	**2,135**	**2,225**	**2,927**
Total current and capital grants	**11,709**	**14,051**	**14,407**

Notes:

1. Numbers may not add due to rounding.
2. Current grants to local governments decrease in 2022–23 compared to 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.

In 2021–22, grants expenses are estimated to total $14.051 billion, $2.342 billion or 20 per cent higher than 2020–21. This increase is mainly due to:

- payments being made to local councils in 2021–22 in relation to revenue collected from the waste disposal levy
- Australian Government's advance payment of financial assistance grants to local governments in 2021–22 for the 2022–23 financial year
- higher Australian Government grants on-passed to non-government schools
- disaster relief payments including personal hardship payments under the DRFA in partnership with the Australian Government, following the 2021–22 disaster season

- COVID-19 Business Support Grants program (incorporating Tourism and Hospitality Sector Hardship grants) to support Queensland businesses impacted by the August 2021 COVID-19 lockdowns.

In 2022–23, total grant expenses are estimated to be $14.407 billion, $356 million higher than 2021–22. This increase is mainly due to:

- the significant cost of recovery, reconstruction and resilience programs under the DRFA in partnership with the Australian Government, following the substantial flooding in South East Queensland in 2021–22. Further details are discussed in Chapter 3.
- higher Australian Government grants on-passed to non-government schools
- higher CSO payments to Energy Queensland Limited to ensure that, where possible, all Queensland electricity customers of a similar type pay a similar price for electricity, regardless of where they live.

These higher grants in 2022–23 are partly offset by the Australian Government again making advance payment of the 2022–23 Financial Assistance Grants to local councils in 2021–22, the COVID-19 Business Support grants program expiring in 2022 and substantial waste levy payments made to local councils in 2021–22.

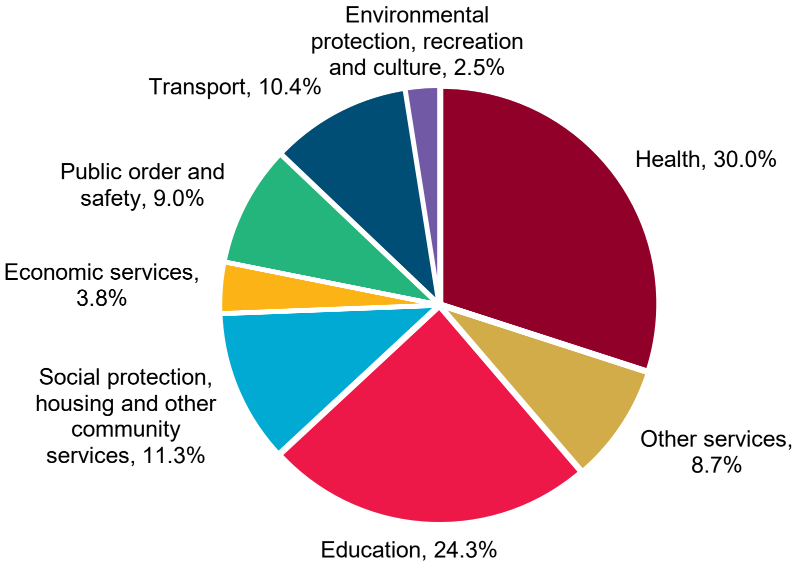
5.4 Operating expenses by purpose

Chart 5.4 indicates the proportion of expenditure by major purpose classification for the 2022–23 Budget. Health accounts for the largest share of expenses (30 per cent) followed by Education (24.3 per cent).

In 2022–23, the substantial disaster relief payments under the DRFA increase the Social protection, housing and other community services function’s relative share of total General Government Sector expenses comparative to most other expenditure classification by purpose.

Excluding disaster payments, the health and education functions account for 55.6 per cent of the total General Government Sector expenses in 2022–23.

Chart 5.4 General Government Sector expenses by purpose, 2022–23



6 Balance sheet and cash flows

Features

- General Government Sector net debt at 30 June 2022 is forecast to be $11.390 billion. This is less than half of what was expected at the time of the 2021–22 Queensland Budget and $6.146 billion lower than the 2021–22 Budget Update.
- Net debt in the General Government Sector is expected to be lower in every year of the forward estimates compared to estimates in the 2021–22 Budget and is projected to be $39.214 billion by 30 June 2026.
- By 2024–25, Queensland's forecast net debt of $33.667 billion is around one fifth of the latest available estimate of $154.844 billion for Victoria (2022–23 Budget) and around one third of $103.008 billion (latest estimate, 2021–22 Half-Yearly Review) for New South Wales.
- Forecast borrowings have been progressively revised down since the 2021–22 Budget consistent with prudent management of revenue improvements from unusually high commodity prices and economic recovery from the pandemic.
- As the Queensland Government continues to support jobs and economic growth, borrowings will grow over the forward estimates but is still expected to be $4.48 billion lower by 2024–25 than at the time of the 2021–22 Budget, and is expected to be $14.395 billion lower by 2023–24 than at the time of the 2020–21 Budget.
- The capital program over the 4 years to 2025–26 totals $59.126 billion. The profile of the capital program over the forward estimates reflects the government's responses to ongoing growth and recovery and resilience measures.
- The forward estimates include $5.708 billion of the $9.785 billion investment in the major Queensland Health Capacity Expansion program.
- The Non-financial Public Sector (NFPS) capital program for the period 2022–23 to 2025–26 comprises $49.451 billion of purchases of non-financial assets (PNFA) and $8.078 billion of capital grant expenses as well as acquisitions of non-financial assets under finance leases and similar arrangements of $1.597 billion.
- Positive NFPS operating cash flows of $26.584 billion are projected from 2022–23 to 2025–26. This will contribute to job creating infrastructure by partially funding the expected $49.451 billion or 53.8 per cent of PNFA over the same period.
- The net worth of the state has increased in 2021–22 by nearly $11 billion compared to the 2021–22 Budget expectations. The increase is due to the improved operating position, increases in the value of non-financial assets and investments.

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 and 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]

	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Financial assets	68,047	71,422	76,000	79,258	81,025	82,713
Non-financial assets	250,163	255,104	261,316	267,523	274,301	280,154
Total assets	**318,210**	**326,526**	**337,316**	**346,781**	**355,326**	**362,867**
Borrowings	65,041	58,215	66,459	74,224	81,102	87,284
Advances	1,432	847	1,745	2,714	2,736	2,793
Superannuation liability	22,686	24,810	24,069	22,484	21,106	20,076
Other provisions and liabilities	25,877	28,721	28,790	28,345	28,356	28,477
Total liabilities	**115,037**	**112,592**	**121,062**	**127,767**	**133,300**	**138,629**
Net worth	**203,174**	**213,934**	**216,254**	**219,014**	**222,026**	**224,237**
Net financial worth	**(46,989)**	**(41,170)**	**(45,062)**	**(48,509)**	**(52,275)**	**(55,916)**
Net financial liabilities	**69,847**	**61,473**	**67,517**	**72,848**	**77,733**	**82,416**
Net debt	**24,750**	**11,390**	**19,772**	**27,603**	**33,667**	**39,214**

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.

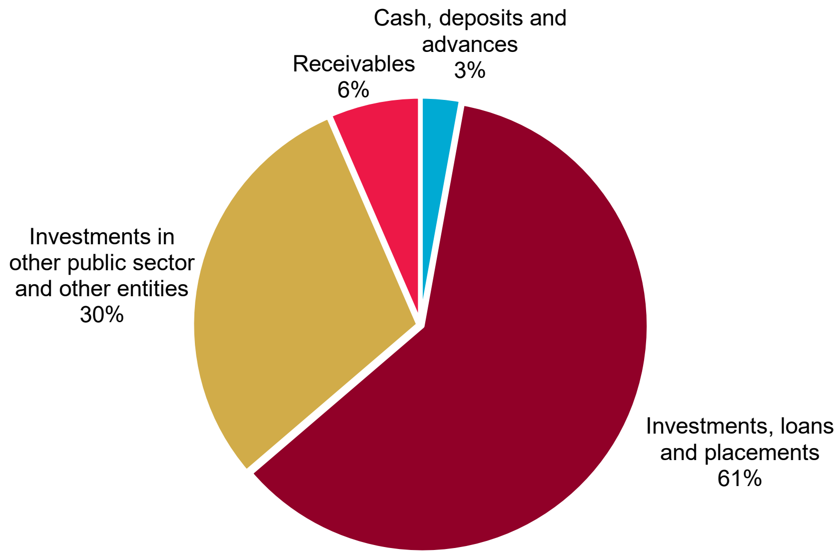
Total financial assets of $71.422 billion are estimated for 2021–22, $3.375 billion higher than published in the 2021–22 Budget. Investments, loans and placements have increased by $5.946 billion since the 2021–22 Budget, predominantly due to positive market value adjustments on financial assets in 2020–21 and investing to support Queensland's energy transformation and deliver affordable, reliable and clean energy for Queenslanders.

This is partially offset by a deterioration in the value of investments in GOCs, largely driven by unrealised market value effects of hedging contracts, the impact of which is expected to reverse as these contracts unwind in subsequent years.

As the value of GOCs recover along with dividends receivable, total financial assets are expected to increase by $4.578 billion to $76 billion by 30 June 2023. 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 be $82.713 billion by 30 June 2026.

Chart 6.1 shows forecast General Government Sector financial assets by category at 30 June 2023.

Chart 6.1 Forecast General Government Sector financial assets by category, at 30 June 2023



6.2.2 Non-financial assets

General Government Sector non-financial assets are estimated to be $255.104 billion at 30 June 2022, $4.941 billion higher than expected in the 2021–22 Budget.

Non-financial assets in 2022–23 are expected to increase by a further $6.212 billion to be $261.316 billion at 30 June 2023.

Total non-financial assets at 30 June 2023 consist primarily of land and other fixed assets of $254.571 billion, the majority of which are roads, schools, hospitals and other infrastructure. Other non-financial assets of $6.745 billion held by the state include prepayments and deferred income tax assets relating to GOCs.

General Government Sector capital expenditure for 2022–23 is forecast to be $11.405 billion, which comprises $8.478 billion of PNFA and $2.927 billion of capital grant expenses. In addition, acquisitions of non-financial assets under finance leases and similar arrangements are forecast to be $809 million, bringing the total General Government Sector capital program for 2022–23 to $12.214 billion.

Over the 4 years to 2025–26, General Government Sector capital expenditure is forecast to be $44.463 billion, which comprises $36.287 billion of PNFA and $8.176 billion of capital grant expenses. Acquisitions of non-financial assets under finance leases and similar arrangements are forecast to be $1.319 billion, bringing the total General Government Sector capital program over the period to $45.782 billion.

Over the forward estimates, the government will spend $5.708 billion as part of the Queensland Health Capacity Expansion program, invest approximately an additional $1 billion for construction of new schools and critical infrastructure upgrades, and continue its substantial ongoing investment in transformative transport infrastructure to support population growth as the region plans for the delivery of the Brisbane 2032 Olympic and Paralympic Games.

The finance leases and similar arrangements are mainly in relation to Public Private Partnerships (PPPs). PPPs totalling $2.570 billion over the period 2021–22 to 2025–26 includes the Tunnel, Stations and Development components of Cross River Rail.

The current estimate of the capital program over the 4 years to 2025–26 is $59.126 billion. The PNFA by the NFPS over this period are forecast to be $49.451 billion. With capital grant expenses of $8.078 billion, this brings total capital expenditure to $57.529 billion. In addition to this, acquisitions of non-financial assets under finance leases and similar arrangements of $1.597 billion bring the total capital program over the period to $59.126 billion.

6.2.3 Liabilities

General Government Sector

Total General Government Sector liabilities are estimated to be $112.592 billion at 30 June 2022, a decrease of $2.445 billion since 2021–22 Budget, predominantly due to lower than expected borrowings offset in part by higher superannuation estimates and higher insurance provisions rolling forward from 30 June 2021.

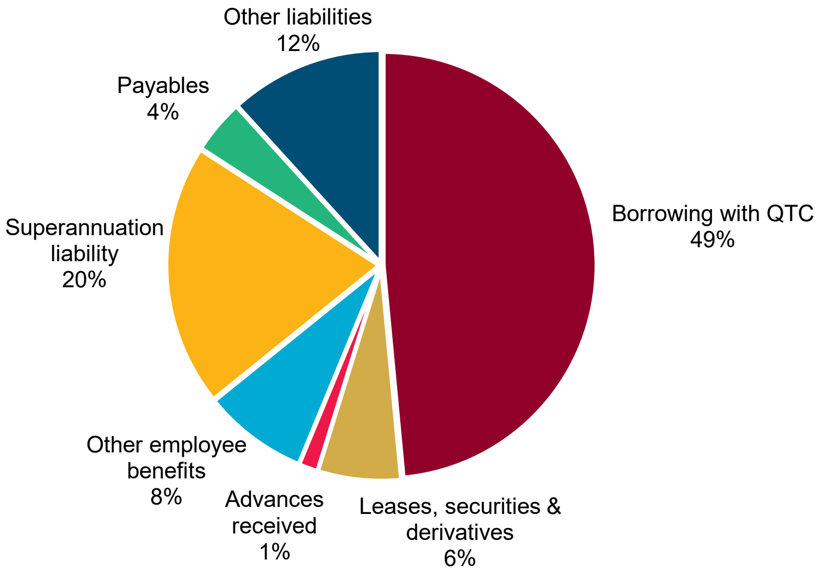
Total liabilities are expected to increase by $8.470 billion in 2022–23 to be $121.062 billion. General Government Sector borrowing with QTC will increase by $8.402 billion in 2022–23, to be $58.853 billion. This is $8.257 billion lower than the comparable 2021–22 Budget estimate for 2022–23. General Government Sector borrowing with QTC is then forecast to grow over the forward estimates as the state invests in job creating infrastructure projects.

By 2024–25, borrowing with QTC is expected to reach $73.338 billion, $4.423 billion lower than expected in the 2021–22 Budget. In 2025–26, total borrowing with QTC will increase by $7.284 billion to $80.622 billion.

The defined benefit superannuation liability is projected to be $24.810 billion at 30 June 2022, $2.124 billion higher than expected in the 2021–22 Budget. This is predominantly due to a change in actuarial assumptions. By 30 June 2023 the superannuation liability is projected to be $24.069 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 2023 is illustrated in Chart 6.2.

Chart 6.2 Forecast General Government Sector liabilities by category, at 30 June 2023



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 $106.774 billion by 30 June 2022, roughly in line with expectations in the 2021–22 Budget. Within the NFPS borrowing, derivative liabilities are estimated to be $5.841 billion higher than expected in the 2021–22 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 these contracts unwind in subsequent years as electricity is delivered.

Box 6.1 Improvement in NFPS debt

Since the 2020–21 Budget, there has been a continued improvement in debt requirements. This has occurred over a period when the government committed to prioritising health outcomes throughout the COVID-19 pandemic and supported the state's economic recovery response.

Chart 6.3 shows how in 2023–24, borrowings for the NFPS are $13.004 billion lower than forecast at the time of the 2020–21 Budget.

Since the 2020–21 Budget, over the period 2019–20 to 2023–24, the lower borrowing requirements have resulted in a lower interest expense cost of more than $210 million.

Chart 6.3 Non-financial Public Sector borrowings by budget

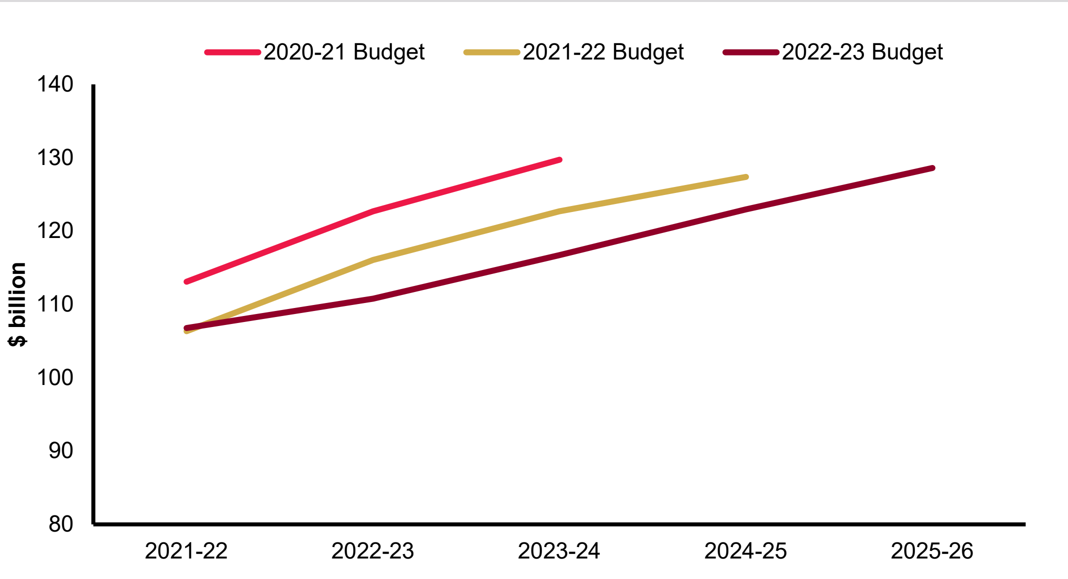


Table 6.2 provides the total NFPS borrowing projections to 2025–26 where it is expected to reach $128.595 billion as the state continues to invest in job creating infrastructure, partially funded through operating cash flows.

Table 6.2 Non-financial Public Sector borrowings 2021–22 to 2025–26[1]

	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Borrowing with QTC	92,599	100,553	107,847	114,632	121,533
Leases and other similar arrangements	7,898	7,711	8,076	7,975	6,812
Securities and derivatives	6,277	2,521	795	352	251
Total borrowings	**106,774**	**110,786**	**116,719**	**122,958**	**128,595**

Note:

1. Numbers may not add due to rounding.

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 2021–22 is estimated to be $11.390 billion, $13.360 billion lower than expected in the 2021–22 Budget. The lower net debt is predominantly the result of improved operating cash flows in 2021–22, and lower net debt rolling forward from the 2020–21 outcome.

Net debt is lower in every year than estimated in the 2021–22 Budget and by 2024–25 is estimated to be $8.906 billion lower than the 2021–22 Budget.

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 (for example, accrued employee liabilities such as superannuation and long service leave entitlements).

The net financial liabilities of the General Government Sector for 2021–22 are estimated to be $61.473 billion and estimated to increase by $6.044 billion by 30 June 2023. 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 $209.625 billion at 30 June 2021. It is expected to increase to $213.934 billion in 2021–22, nearly $11 billion higher than expected in the 2021–22 Budget.

Net Worth has increased in 2021–22 with the improved operating position, increases in the value of non-financial assets and investments

The net worth of the NFPS is projected to steadily grow over the forward estimates to be $224.237 billion by 2025–26.

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 2021–22 is estimated to be $1.323 billion, which is $8.390 billion higher than the deficit forecast at the time of the 2021–22 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.

After net investments in non-financial assets of $8.301 billion, a cash deficit of $6.763 billion is forecast for 2022–23. As revenues continue to improve in line with the forecast economic recovery, net cash flows from operating activities increase over the forward estimates, contributing to the government's investment in non-financial assets and alleviating the need to 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 to the PNFC and Public Financial Corporations sector are the primary driver of net outflows of $1.858 billion over the period from 2022–23 to 2025–26.

Net cash flows from investments in financial assets for liquidity purposes represent net investment in financial assets to cover liabilities such as superannuation, other employee entitlements and insurance.

Total General Government Sector PNFA of $8.478 billion are budgeted for 2022–23. Over the period from 2022–23 to 2025–26, General Government Sector PNFA are expected to total $36.287 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 Paralymic 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 key functions under this framework is providing funding to states to deliver services.
- Australian Government payments represent approximately 47 per cent of all of Queensland's General Government revenue in 2022–23.
- The Australian Government estimates it will provide the Queensland Government with $34.925 billion in 2022–23 ($1.907 billion more than in 2021–22), comprising:
  - $16.399 billion[1] in payments for specific purposes ($243 million more than 2021–22)
  - $715 million in other Australian Government grants, including payments direct to Queensland Government agencies for Australian Government own-purpose expenditure ($333 million less than 2021–22)
  - $17.811 billion in payments for general purposes ($1.998 billion more than 2021–22).

  Further detail is provided in Chapter 4.
- The 2022–23 Federal Budget defined payments to Queensland for specific purposes in 2022–23 include:
  - $6.030 billion for National Health Reform funding
  - $6.094 billion for Quality Schools funding[2]
  - $3.606 billion for National Partnership (NP) payments (including the Infrastructure Investment Program, Disaster Recovery Funding Arrangements (DRFA) and DisabilityCare Australia Fund)
  - $342 million for National Housing and Homelessness funding
  - $328 million for National Skills and Workforce Development funding.
- NP payments to Queensland will be lower in 2022–23 primarily due to:
  - cessation of the temporary COVID-19 business support grant program in 2021–22
  - expected reduction in HomeBuilder grant payments due to the program drawing to a close towards the end of 2022–23.

[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).

- Queensland has 23 funding agreements expiring in 2021–22. While the 2022–23 Federal Budget allocated funding for 7 expiring agreements, 2 expiring agreements had no funding allocated beyond 2021–22. A funding renewal was not sought for the remaining 14 expiring agreements due to the short-term nature of the programs (e.g. temporary funding provided for COVID-19 measures and bushfire support).
- The Queensland Government provides considerable assistance to local governments, recognising the important services they provide to the community. In 2022–23, the Queensland Government will provide a total of $2.280 billion in grants to local governments.

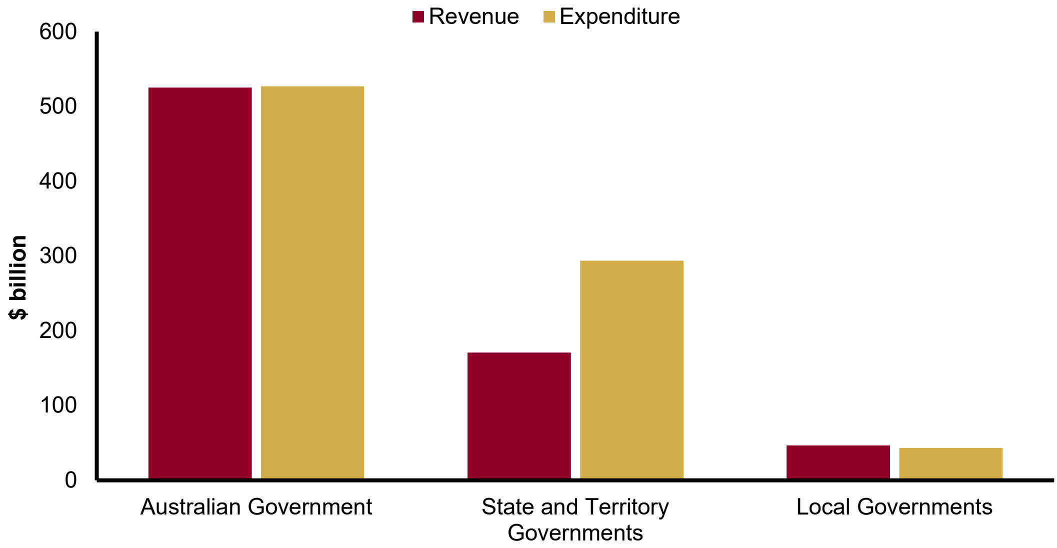
7.1 Federal financial arrangements

The Australian Government has greater capacity to raise revenue than is required to meet its service delivery responsibilities. Conversely, states' ability to raise revenue is less than required to meet their service delivery and infrastructure responsibilities. This vertical fiscal imbalance (VFI) requires the sharing of revenue between the Australian Government and states.

In 2020–21, the Australian Government collected 70.7 per cent of government revenue nationally, while states collected 23 per cent with local governments responsible for the balance at 6.3 per cent[1]. Chart 7.1 illustrates the revenue and expense disparity between the different levels of government.

[1] ABS Government Finance Statistics.

Chart 7.1 Own-source revenue and expenses by levels of government, 2020–21[1,2]



Notes:

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

Source: ABS Government Finance Statistics.

In Australia, VFI is addressed through a system of intergovernmental payments from the Australian Government to the states. The Australian Government makes 2 types of payments in this regard:

- 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 Australian Government 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.

The remainder of this chapter focuses on payments for specific purposes. Detail on GST revenue is provided in Chapter 4.

Box 7.1 Effective federal financial relations – positioning Queensland for the future

- 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.
- Combined effort is required to address Queensland's needs and priorities—to transform the energy sector, ensure sustainable service delivery in areas such as health, housing and skills, and to successfully deliver international events like the Brisbane 2032 Olympic and Paralympic Games.
- The Australian, state and territory governments are strategically planning to support the least-cost transition to a reliable, accessible and affordable renewable energy sector. With all levels of government agreeing to achieve zero net emissions by 2050, Queensland is progressing with material and measured investment in transmission, generation, storage and hydrogen infrastructure to secure critical policy outcomes. There are clear opportunities for the Australian Government to support these investments and accelerate energy projects critical to energy transformation.
- Health services are a large and growing cost for the Australian, state and territory governments. The COVID-19 pandemic caused significant disruption to health systems and states and territories are bearing financial risks under the current funding arrangement. The Queensland Government will work closely with the Australian Government to address short-term funding issues and embed long-term fiscal sustainability in the Queensland and national health systems.
- The pressure on accessing safe, secure and affordable housing is a matter of national interest as it underpins social, economic and public health outcomes. This is particularly relevant as the Australian Government and state and territory governments begin to review the National Housing and Homelessness Agreement (NHHA)—the key agreement that defines their roles in funding and providing housing and homelessness services. The review is critical to ensure sustainable investment to meet national and local needs. Through the review, the Queensland Government will seek to secure future funding arrangements that account for the pressures on the state's housing market, specifically in regional and remote areas.
- The Queensland Government will re-engage with the Australian Government regarding negotiation of a new National Skills Agreement. Through this process, the Queensland Government is focused on ensuring Queenslanders can access high quality and relevant training to address state priorities, local economic needs and sector skills shortages, including in emerging industries.
- Brisbane 2032 offers a significant opportunity to showcase Queensland and Australia. The Queensland Government is committed to working with the Australian Government, International Olympic Committee and Games Partners to best position Queensland to successfully deliver this major international sporting and cultural event in 2032.

7.2 Australian Government funding to all states and territories

Across all states, the Australian Government estimates it will provide funding of $166.433 billion in 2022–23, which is $995.6 million (or 0.6 per cent) less than in 2021–22, comprising:

- $83.885 billion in payments as shares of general revenue assistance (i.e. GST revenue) ($8.326 billion more than in 2021–22)
- $81.646 billion in payments for specific purposes ($9.288 billion less than in 2021–22) including:
  - $28.139 billion in National Health Reform funding, including $934.1 million in COVID-19 public health response funding
  - $26.413 billion in Quality Schools funding
  - $1.645 billion in National Housing and Homelessness funding
  - $23.844 billion in National Partnership payments (e.g. Infrastructure Investment Program, National Water Grid Fund, DisabilityCare Australia Fund and Preschool Reform Agreement)
  - $1.606 billion in National Skills and Workforce Development funding.
- $901.9 million in other payments to states, including:
  - $816.8 million for certain royalty payments to Western Australia
  - $42.7 million to Western Australia to compensate for reduced royalties
  - $42.4 million for municipal services to the Australian Capital Territory.

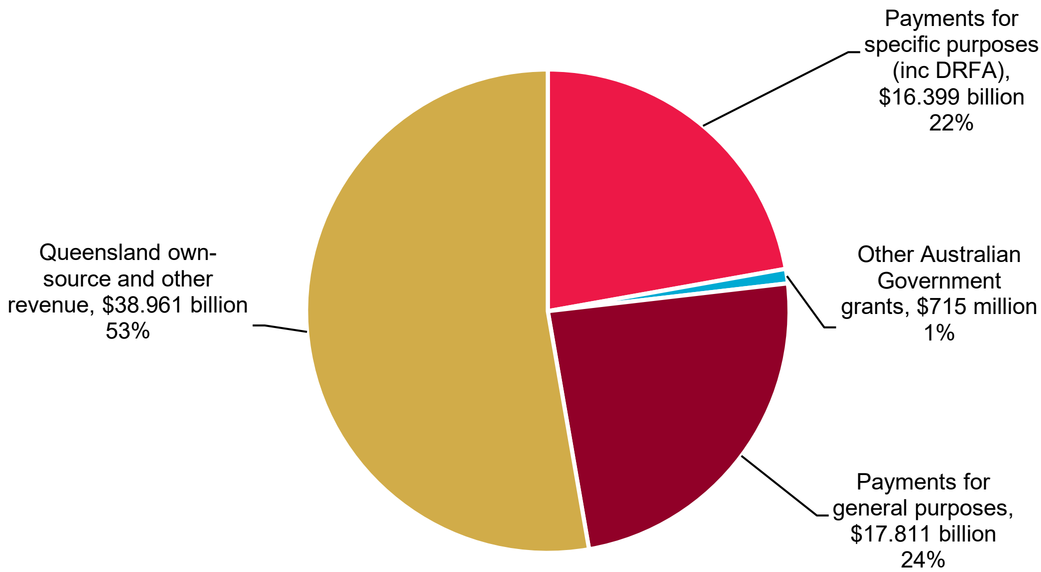
Australian Government payments for specific purposes may not fully fund all underlying programs. Some require states to provide matching contributions (e.g. JobTrainer Fund) or other, financial or in-kind contributions. This reduces budget flexibility for states, particularly where it is not a Queensland Government priority or in cases where the Australian Government dictates specific conditions related to the funding.

7.3 Australian Government funding to Queensland

It is estimated the Australian Government will provide the Queensland Government with $34.925 billion in 2022–23 ($1.907 billion more than in 2021–22).

Australian Government funding is estimated to account for 47 per cent of Queensland’s total General Government Sector revenue sources in 2022–23 (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 2022–23[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: 2022–23 Federal Budget Paper No. 3 and Queensland Treasury estimates.

7.4 Payments to Queensland for specific purposes

In 2022–23, Queensland expects to receive $16.399 billion[1] in payments for specific purposes, $243 million (1.5 per cent) more than in 2021–22.

Table 7.1 Estimated payments of Australian Government grants[1]

	2020–21 Actual $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million
Payments for specific purposes			
Skills and Workforce Development funding	315	321	328
National Health Reform funding[2]	5,510	5,879	6,030
Quality Schools funding[3]	5,226	5,785	6,094
National Housing and Homelessness funding	328	334	342
National Partnership payments (incl. DRFA)	4,588	3,837	3,606
Total payments for specific purposes	**15,967**	**16,157**	**16,399**
Other Australian Government grants[4]	1,287	1,048	715
Total payments for specific purposes and other Australian Government grants	**17,254**	**17,205**	**17,114**

Notes:
1. Numbers may not add due to rounding.
2. Includes funding for the COVID-19 public health response of $267 million in 2020–21 and $220.3 million 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: 2022–23 Federal Budget Paper No. 3 and Queensland Treasury estimates.

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

In 2022–23, National Health Reform funding, which accounts for 36.8 per cent of the total payments for specific purposes, is estimated to increase by $150 million (2.6 per cent) from 2021–22. The low increase in 2022–23 is due to the inclusion of COVID-19 public health response funding in 2021–22 ($220.3 million). If the impact of the COVID-19 health response funding in 2021–22 is removed, National Health Reform funding is expected to increase by $370.6 million (6.5 per cent) from 2021–22.

[1] Queensland Treasury estimates.

Queensland Government projections of National Health Reform funding differ from the projections contained in the 2022–23 Federal Budget as Australian Government projections assume higher activity growth than projected in service agreements between the Queensland Department of Health and Hospital and Health Services. Actual National Health Reform payments vary from estimates provided in budget papers as they are based on actual public hospital activity delivered each year.

Quality Schools funding, which accounts for 37.2 per cent of the total payments for specific purposes, is estimated to increase by $309 million (5.3 per cent) to $6.094 billion in 2022–23.

National Housing and Homelessness funding is estimated to increase by $7 million (2.2 per cent) in 2022–23, which includes additional temporary funding allocated by the Australian Government to support social and community service workers wages in the housing and homelessness sectors.

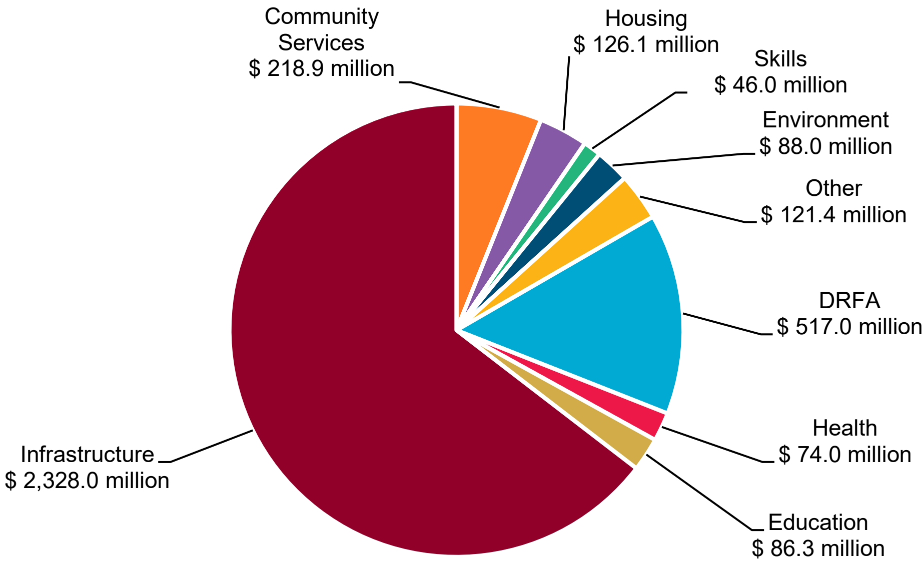
Skills and Workforce Development funding is expected to increase by $7 million (2.3 per cent) in 2022–23 compared to 2021–22. Given its high priority in a tight labour market, the Australian Government and state and territory governments are working towards finalising a new National Skills Agreement to replace the Skills and Workforce Development SPP.

NP payments (including DRFA), which account for 22 per cent of the total payments for specific purposes, are estimated to decrease by $231 million (6.0 per cent) in 2022–23 compared to 2021–22. A significant proportion of NP payments is allocated to infrastructure, DRFA and community services (refer to Chart 7.3).

The reduction in NP payments between 2021–22 and 2022–23 is mainly due to the:

- cessation of the temporary COVID-19 business support grant program in 2021–22
- expected reduction in HomeBuilder grant payments due to the program drawing to a close towards the end of 2022–23.

Chart 7.3 National Partnership Payments by sector, 2022–23[1]



Note:

1. Excludes Australian Government funding to local government and payments direct to Queensland Government agencies for Australian Government own-purpose expenditure.

Sources: 2022–23 Federal Budget Paper No. 3 and Queensland Treasury estimates.

Other Australian Government grants include payments direct to Queensland Government agencies for Australian Government own-purpose expenditure. In 2022–23, Queensland expects to receive $715 million in other Australian Government grants, $333 million (31.8 per cent) less than in 2021–22. The decrease 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 are expected to steadily increase, with average growth of approximately 3.1 per cent between 2022–23 and 2025–26.

While increases in overall funding are timely, payments tied to specific purposes and Australian Government criteria restricts Queensland's capacity to respond to local needs, reduces state budget flexibility, adds administrative costs, and impacts on the achievement of policy outcomes and priorities. This negative impact is amplified when funding is conditional on Queensland matching Australian Government funding, unrealistic timeframes, rudimentary national price benchmarks and misalignment with state priorities.

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. The COVID-19 pandemic continues to put pressure on the state's health system as it responds to increased demand, deferred care and ongoing workforce challenges. If growth in hospital activity exceeds 6.5 per cent, the state risks assuming a significantly larger financial burden to address these challenges.

Growth in Quality Schools funding for Queensland is expected to average 3.9 per cent between 2022–23 and 2025–26 in line with enrolment growth and increased funding per student. Queensland is expecting to receive $9.690 billion for state schools and $16.230 billion (including GST) for non-government schools from 2022–23 to 2025–26.

7.4.2 Expiring agreements

Under the Intergovernmental Agreement on Federal Financial Relations, the Australian Government provides time-limited funding to states and territories through NP payments to support the delivery of specific projects, facilitate reforms or reward states that deliver on 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. The expiry of many large NPs over the last few years, such as the National Partnership on Remote Housing, which has required Queensland to invest approximately $100 million a year, highlights this risk. 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 23 agreements[1] expected to expire in 2021–22. At the 2022–23 Federal Budget, the Australian Government allocated funding beyond 2021–22 for 7 expiring agreements:

- universal access to early childhood education – replaced by the Preschool Reform Agreement with funding from 2021–22 to 2025–26
- public dental services for adults – funding extended to 2022–23
- national bowel cancer screening program – funding extended to 2023–24
- family law information sharing program (schedule A) – national funding allocated over 3 years from 2022–23 to continue the program, with state allocations yet to be finalised
- family law information sharing program (schedule B) – national funding allocated over 3 years from 2022–23 to continue the program, with state allocations yet to be finalised
- national tropical weeds eradication program – funding extended to 2023–24
- national exotic fruit fly in Torres Strait eradication program – funding extended to 2026–27.

[1] Includes any expiring schedules to Federation Funding Agreements.

The 2022–23 Federal Budget did not allocate funding beyond 2021–22 for 2 expiring and important funding agreements – Project Agreement for Phase 2 of the Queensland Government's Household Resilience Program and Project Agreement for Yellow Crazy Ant Control – Wet Tropics of Queensland.

A funding extension or renewal was not sought for the remaining 14 expiring agreements due to the short-term nature of the programs. These include temporary funding provided for the COVID-19 business support grant program, legal assistance for bushfire support, wildlife and habitat bushfire recovery and COVID-19 legal assistance funding.

7.5 State–local government financial relations

The Queensland Government allocates considerable funding in the 2022–23 Queensland Budget to support local governments across the state. This recognises the critical role local governments play in supporting their local communities.

In 2022–23, the Queensland Government will provide a total of $2.280 billion in grants to local governments.

This includes current 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.

Significant stimulus delivered in response to the COVID-19 pandemic included the COVID Works for Queensland program and the Unite and Recover Community Stimulus Package. These initiatives have assisted Queenslanders in the ongoing economic recovery.

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 2025–26)
Works for Queensland	Supports local governments in regional areas to undertake job creating maintenance and minor infrastructure works.	$970 million[1]
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
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.	$190 million[2]
Unite and Recover Community Stimulus Package	Supports SEQ 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
Transport Infrastructure Development Scheme	Provides targeted investment in regional local government transport infrastructure.	$770 million
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.	$318.9 million[3]
Coastal Hazard Adaptation Program – QCoast2100	Assists coastal local governments to prepare plans and strategies for addressing the impact of climate change.	$15 million
Queensland Water Regional Alliances Program	Assists regional councils to collaborate and improve the efficiency and administration of water infrastructure.	$15 million

Notes:

1. Total funding of $1 billion out to 2026–27
2. Total funding of $200 million out to 2026–27
3. Funding is ongoing. Figure is based on current projections.

In addition to the above grant programs, the Queensland Government has signed the National Partnership Agreement on Disaster Risk Reduction, which is a 5-year partnership between the Australian Government and the states to support disaster mitigation projects and build resilience to natural disasters. This fund is administered by the Queensland Reconstruction Authority (QRA) and replaces the Queensland Disaster Resilience Fund.

The QRA also administers 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 government administers significant funding (close to $1.7 billion in expenditure expected in 2022–23) 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.

The Queensland Government also understands there are added challenges faced by Indigenous councils to ensure their communities have access to essential services and critical infrastructure.

To address these challenges, the government has allocated substantial funding to specifically support Indigenous councils and their communities.

A summary of grant programs 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 2025–26)
Indigenous Councils Critical Infrastructure Program	Contributes to the cost of water, wastewater and solid waste infrastructure in Indigenous communities.	$120 million
Major Infrastructure Program	Deliver environmental health and other infrastructure upgrades within the Torres Strait Island Regional Council, Torres Shire Council and Northern Peninsula Area Regional Council areas.	$15 million
State Government Financial Aid	A financial contribution (in lieu of rates) to meet the costs incurred by Indigenous councils in the provision of local government services.	$387.8 million[1]
Indigenous Local Government Sustainability Program (2016–18)	Assisted Indigenous councils to increase their capacity, capability and sustainability.	$7.7 million

Note:

1. Funding is ongoing. Figure is based on current projections

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 services, and port services. The Queensland Government has a strong commitment to maintaining public ownership of our 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 $3.519 billion in 2022–23, representing a $1.525 billion increase from 2021–22. While PNFC Sector earnings in 2021–22 are expected to be lower compared to the 2021–22 Budget, sector-wide earnings are forecast to increase from 2022–23 with an improvement in the performance of the electricity sector.
- PNFC Sector borrowings for 2021–22 are around $7.260 billion higher than forecast at the 2021–22 Queensland Budget. This is mainly due to movements in the value of electricity hedging contracts entered into prior to an upward shift in market conditions. Movements over the forward estimates are primarily due to the accounting treatment of short-term financial contracts held by energy government-owned corporations (GOCs).
- In 2021–22, the government is supporting businesses to invest for the future, with total dividends of around $580 million to be retained by GOCs (including the Queensland Investment Corporation) for investment in critical infrastructure and growth initiatives. This decision recognises the need to capitalise businesses to undertake strategically important investment in transformational growth opportunities and government's commitment to public ownership for the benefit of all Queenslanders.
- Since 2020, Queensland Government generators have announced ownership and offtake agreements in renewable energy projects which will add almost 3 gigawatts of clean energy to Queensland. In 2021–22, Stanwell and CS Energy also announced they are progressing large-scale batteries at Tarong and Chinchilla respectively, to support the continued uptake of renewable energy across Queensland.
- The Queensland Government has allocated $385 million in 2022–23 to support all households facing cost of living pressures, with each Queensland household to receive a $175 Cost of Living rebate on their electricity bill in 2022–23. Including previous Asset Ownership Dividends and the COVID-19 Utility Rebate, this will be the government's sixth rebate provided since 2018, with the government having allocated a total of $1.185 billion to provide households with a total of $575 in rebates.
- These payments complement the government's longstanding commitment that all Queenslanders pay a similar price for electricity no matter where they live, under the Uniform Tariff Policy (UTP). To support the UTP, the government provides an annual Community Service Obligation Payment, costing $635 million in 2022–23.

- Queensland Rail continues to work with external partners to progress significant new rail infrastructure including the Cross River Rail project, implementation of the European Train Control System to improve operational efficiency, new stations and station accessibility upgrades and additional train stabling capacity.
- Major port projects continuing in 2022–23 include the Channel Capacity Upgrade at the Port of Townsville to improve freight export and import opportunities for North Queensland. Planning will also continue on expanding the Cairns Marine Precinct with a Common User Facility to enable the maintenance, repair, and overhaul of more and larger ships in Cairns.
- Through state-owned businesses Seqwater and Sunwater, the Queensland Government is delivering additional water supply, fortifying the flood resilience of water infrastructure and ensuring the ongoing safety and reliability of dams. This includes continued construction of the $367.2 million Rookwood Weir, the $125.4 million Mount Crosby Flood Resilience Program and $95.2 million South West Pipeline project, as well as delivery of the Toowoomba to Warwick Pipeline estimated at more than $300 million. $54.2 million will also be invested in 2022–23 for planning and early works on improvements to Paradise, Burdekin Falls, Somerset and Lake Macdonald Dams.

8.1 Context

Entities comprising the PNFC Sector provide vital services such as electricity supply and distribution, water supply, and rail and port services.

Queensland 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 Stadiums Queensland).

GOCs are accountable for their financial performance and are required to be commercial and efficient organisations. These requirements are legislated under the GOC Act with similar provisions made in the enabling legislation of Queensland Rail and Seqwater. The entities incur costs and bear commercial risks in the delivery of their services or products and generate a commercial rate of return from the sale of these services or products to sustain ongoing investment and performance.

Returns from the PNFC Sector contribute to consolidated revenue and are used to pay for various government services.

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 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's ongoing commitment to maintaining public ownership of the entities in the PNFC Sector guarantees all Queenslanders benefit from their performance. Public ownership of electricity, port, rail and water infrastructure provides the Queensland Government with opportunities to support strategic investment in key sectors of a growing economy to achieve better outcomes for all Queenslanders.

Table 8.1 Key financial aggregates[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Revenue	13,240	12,237	13,750	13,589	13,744	13,572	13,774
Expenses	12,078	11,463	13,212	12,389	12,349	12,479	12,710
Net Operating Balance	**1,162**	**774**	**538**	**1,199**	**1,395**	**1,093**	**1,064**
PNFA[2]	3,157	3,713	3,055	3,334	3,025	3,266	3,538
Assets	71,543	71,678	75,962	74,953	75,398	75,905	76,774
Borrowings	41,558	41,305	48,566	44,334	42,501	41,863	41,318

Notes:
1. Numbers may not add due to rounding.
2. PNFA: Purchases of non-financial assets.

8.1.1 Electricity networks

The government owns 2 electricity network businesses which are responsible for transporting safe, reliable electricity to consumers across the state (Powerlink and Energy Queensland).

Powerlink

Powerlink owns, develops, operates and maintains the electricity transmission network in Queensland. Its network spans approximately 1,700 km from north of Cairns to the New South Wales border and comprises 15,345 km 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.

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 includes a number of 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 is involved in a range of other service delivery functions including demand management services, large-scale connections, microgrid solutions, the provision of contestable metering services and telecommunications infrastructure. Yurika is focused on pursuing strategic investments in unregulated markets to provide greater choice to commercial and industrial customers, and to provide EQL with an enhanced ability to respond to emerging trends.

Network revenues

Revenues for the network businesses are largely derived from network services that are regulated by the Australian Energy Regulator (AER). The AER determines these revenues on a 5-yearly basis, based on the businesses' proposals and its view of the reasonable benchmark efficient costs for a network business.

In April 2022, the AER published its transmission determination for Powerlink for the 2022–27 period, which is supporting a reduction in network costs charged in 2022–23 electricity bills for the typical residential and small business customer.

Similarly, in June 2020, the AER published its distribution determination for Energex and Ergon Energy Network (as electricity distribution providers) for the 2020–25 period, also leading to lower network costs for average Queensland residential households and small businesses.

8.1.2 Electricity generation

Queensland is in a strong position to deliver reliable and affordable energy through significant baseload and renewable generation capacity.

Queensland continues to operate Australia's youngest and most efficient fleet of coal-fired generators and an increasing number of large-scale renewable projects. This includes assets owned by our publicly-owned generators – CleanCo, CS Energy, and Stanwell.

In 2022–23, construction will commence on CleanCo's 102.6 megawatt (MW) Karara Wind Farm in the Darling Downs. Construction will also commence or continue on new wind and solar farms across Queensland with which our generators have entered long-term power purchase agreements. Since 2020, Queensland Government generators have announced ownership and offtake agreements in renewable energy projects which will add almost 3 gigawatts of clean energy to Queensland.

The GOCs will play a key role in helping to deliver the government's 50 per cent Queensland Renewable Energy Target by 2030.

CleanCo

CleanCo is the newest publicly-owned energy generator in Queensland, owning and operating a portfolio of low and no emissions generation assets. Following the transfer of a strategic low-emissions generation portfolio from Stanwell and CS Energy in late 2019, CleanCo has been an active participant in the National Electricity Market.

In addition to its foundation portfolio, since 2020, CleanCo has committed to support a further 1,100 MW in new renewable generation capacity. This will be achieved by power agreements with wind and solar farms in the Darling Downs, Western Downs, and Far North Queensland, and through CleanCo's 102.6 MW Karara Wind Farm which it will build, own and operate.

CleanCo is also supporting the sustainable energy goals of major commercial customers, including BHP and Coles, by entering long-term agreements to supply firm renewable energy.

CS Energy

CS Energy is a major supplier of electricity across Queensland, with a portfolio of around 3,500 MW of installed capacity under management, including the Callide B and Kogan Creek Power Stations, and the Callide C Power Station, which it operates and has a 50 per cent ownership interest in. 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.

Since 2020, CS Energy has entered multiple agreements to purchase electricity from renewable energy generators, including with Moura, Warwick, Hughenden, and Columboola solar farms. 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.

In 2021–22, CS Energy announced its partnership with Senex Energy to develop the Kogan Renewable Hydrogen Project near Chinchilla. Through the Queensland Renewable Energy and Hydrogen Jobs Fund, CS Energy has been allocated $28.9 million towards this project.

Stanwell

Stanwell is a major supplier of electricity across Queensland, with a portfolio of around 3,300 MW of installed capacity from its 3 coal-fired power stations in Queensland. Stanwell sells electricity directly to large commercial and industrial customers in Queensland and interstate, and earns revenue from coking coal exported from Curragh Mine.

In 2020, Stanwell entered a long-term agreement to offtake 348 MW of renewable energy from the Clarke Creek Wind Farm in Central Queensland, with construction commencing in 2022–23. In 2022, Stanwell also announced an offtake agreement with the Blue Grass Solar Farm near Chinchilla in the Western Downs.

Through the Queensland Renewable Energy and Hydrogen Fund, Stanwell has been allocated $192.5 million towards its investment in the 252 MW Wambo Wind Farm, which it will develop in partnership with global renewables developer, Cubico. Stanwell will own 50 per cent of the wind farm and offtake the remaining 50 per cent through a power agreement. Construction of the wind farm is expected to commence in 2022 and be operational by 2024.

Stanwell is also progressing feasibility work on a large-scale hydrogen export facility in Gladstone as part of a consortium with several Japanese companies (including Iwatani Corporation) and Australian energy infrastructure business, APA Group. Stanwell has been allocated $15 million from the Queensland Renewable Energy and Hydrogen Jobs Fund to support the project.

Box 8.1 Renewable Energy and Storage

The Queensland Government continues to drive investment in our state's renewable energy future, including through the $2 billion Queensland Renewable Energy and Hydrogen Jobs Fund (the Fund). Investments through the Fund will help decarbonise the state's energy system and demonstrate Queensland's attractiveness to domestic and international investors to drive economic growth.

This Fund is enabling Queensland's energy GOCs to invest in commercial renewable energy and hydrogen projects, and supporting infrastructure, including in partnership with the private sector. The Fund is demonstrating our commitment to drive investment and economic growth across Queensland, building the infrastructure and creating the jobs that will transform the state's energy system and achieve our 50 per cent Queensland Renewable Energy Target by 2030 and net zero emissions by 2050. Queensland is leveraging its competitive advantage of a natural abundance of world-class wind and solar resources, as it harnesses that potential to make the state a renewable energy and hydrogen leader.

New GOC investment in renewables will complement the state's existing portfolio of baseload generation assets, which will be critical to ensure security of electricity supply through Queensland's energy transformation and support a growing manufacturing and resources sector.

With an allocation from the Fund, Stanwell is investing $192.5 million in the 252 MW Wambo Wind Farm near Dalby. Stanwell's investment includes a 50 per cent direct equity stake in the project, and an offtake agreement for the remaining renewable energy generation. The project is being delivered in partnership with global renewables developer Cubico, and will support up to 200 jobs during construction and up to 20 ongoing operations and maintenance jobs.

Through projects like this, we are strengthening our commitment to maintain public ownership of generation.

Queensland is also investing to deliver the energy storage capacity essential to support Queensland's energy transformation and deliver affordable, reliable and clean energy for Queenslanders.

In 2021–22, $22 million was committed over 2 years to undertake a feasibility study for a pumped hydro energy storage project at Borumba and concept studies for other sites. This Budget allocates up to $48 million more for pumped hydro energy storage investments, including $13 million to fast-track a final investment decision on the proposed Borumba pumped hydro energy storage project and $35 million towards feasibility work on a second pumped hydro energy project.

To support the continued uptake of renewable energy across Queensland, CS Energy is investing $150 million to deliver the 100 MW Chinchilla battery, and Stanwell is investing $207 million to deliver a 150 MW battery at Tarong.

These investments will further strengthen the supply of affordable, reliable and clean energy across Queensland, while also supporting regional jobs and investment.

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 2022–23, Queensland Rail will support the delivery of significant new rail infrastructure, including the Cross River Rail project by the Cross River Rail Delivery Authority and other transformational rail infrastructure projects to increase rail service delivery for the state's growing population. These investments will support local manufacturing supply chains, as well as supporting jobs in regional areas.

8.1.4 Ports

Queensland has a large network of ports that are owned and run by GOCs along its coastline. These businesses, Gladstone Ports Corporation (GPC), North Queensland Bulk Ports Corporation, Port of Townsville Limited, and Far North Queensland Ports Corporation (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 and economy, and their efficient operation is key to economic growth, job creation and sustainable development across the state.

Since 2020, government-owned ports have provided support to local communities affected by COVID-19 and remain committed to implementing appropriate measures to respond to the impacts of COVID-19 on staff, businesses and communities.

Other port GOC projects occurring throughout 2022–23 include:

- the continuation of the $232 million Channel Capacity Upgrade at the Port of Townsville
- ongoing refurbishments and construction of the $63.9 million replacement shiploader for GPC's RG Tanna Coal Terminal
- expansion of the Cairns Marine Precinct with delivery of 2 new wharves as part of a $32 million early works package and working with the Australian Government to progress a major Common User Facility following a $150 million commitment by the Queensland Government
- working with proponents in Gladstone, Townsville and major ports to identify and progress potential hydrogen opportunities at the respective ports.

8.1.5 Water

The 2 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

Seqwater is responsible for supplying safe, secure and reliable bulk drinking water for people across South East Queensland. Its assets and operations are spread across a large geographic area from the New South Wales border to the base of the Toowoomba ranges and as far north as Gympie. Seqwater provides essential flood mitigation services and manages 7 water supply schemes which provide irrigation services.

Dams play a vital role in South East Queensland's water supply and flood mitigation. Seqwater has an ongoing Dam Improvement Program (DIP) to ensure the safety and reliability of its dams and compliance with dam safety guidelines into the future.

Key projects for Seqwater in 2022–23 include:

- completion of the South West Pipeline to connect Beaudesert to the South East Queensland Water Grid to ensure a reliable long-term water supply
- further investment into the Mount Crosby Flood Resilience Program including replacement and relocation of the existing East Bank electrical substation, construction of a new two-lane road bridge adjacent to the Mount Crosby Weir, and electrical infrastructure upgrades at the East Bank Pump Station
- delivery of the Toowoomba to Warwick Pipeline to provide Warwick and surrounding communities a reliable drought contingency
- planning activities for the Somerset Dam improvement project.

Sunwater

Sunwater is the government's major bulk water supply business for regions outside of South East Queensland. It supplies untreated bulk water to approximately 5,000 customers across the industrial, mining, urban and irrigation customer segments. Sunwater provides this through an extensive regional asset base, owning and managing water infrastructure assets with a replacement value of around $14 billion.

Dam safety is a major focus for Sunwater, as it is for all bulk water suppliers. Like Seqwater, Sunwater has an ongoing DIP to ensure the safety and reliability of its dams and compliance with dam safety guidelines into the future. The DIP is an essential works program and a key determinant of Sunwater's financial performance over time.

Key projects for Sunwater in 2022–23 include:

- continuing planning and commencing early works for the Paradise Dam improvement project to enhance the dam to meet future extreme weather events
- continuing planning for the Burdekin Falls Dam improvement project
- continuing investigations into potentially raising Burdekin Falls Dam
- continuing work to deliver efficiency improvements to the Mareeba-Dimbulah Water Supply Scheme
- continuing construction of Rookwood Weir.

8.2 Finances and performance

8.2.1 Earnings before interest and tax

Estimated Total PNFC Sector EBIT of $1.994 billion for 2021–22 is $857 million lower than forecast at the 2021–22 Queensland Budget. Across the forward estimates, PNFC Sector EBIT is expected to increase to $3.581 billion by 2023–24 and decline to $2.585 billion by 2025–26.

The electricity network sector EBIT is estimated to fall slightly in 2022–23 (compared to 2021–22 levels) and remain so over the forward estimates, driven by EQL's regulated revenue determinations for the 2020–25 period and Powerlink's regulated revenue determination for the 2022–2027 period.

For 2021–22, the electricity generation sector is no longer forecasting a positive EBIT, primarily reflecting movements in the value of hedging contracts entered into prior to recent market price volatility. Generators enter appropriate hedging contracts to provide earnings certainty, including on the Australian Securities Exchange. These adjustments are expected to be temporary with profitability expected to return from 2022–23, providing opportunities for new investment to support Queensland's energy transformation, and improved returns to the state.

Port sector EBIT in 2021–22 aligns with the 2021–22 Queensland Budget and is forecast to trend upwards over the forward estimates, reflecting the various long-term revenue contracts with customers and is supported by cost recoveries from the completion of revenue generating capital expansions.

Water sector EBIT in 2021–22 also aligns with the 2021–22 Queensland Budget but is forecast to trend downwards over the forward estimates, due to Sunwater's delivery of its substantial DIP.

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. Earnings will be offset by expenses over the forward estimates as venues are improved 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]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Electricity Networks	1,455	1,276	1,382	1,312	1,184	1,138	1,306
Electricity Generation	229	478	(457)	1,067	1,472	797	422
Rail	342	335	281	312	266	341	332
Ports	217	209	206	219	243	258	261
Water	680	598	598	594	474	443	331
Other[2]	(97)	(45)	(15)	15	(58)	(64)	(66)
Total PNFC sector	**2,826**	**2,851**	**1,994**	**3,519**	**3,581**	**2,913**	**2,585**

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 appropriateness of the proposed capital expenditure program, together with the implications of borrowings on key financial and performance related indicators.

Importantly, PNFC Sector entity asset values are a relevant factor in considering overall PNFC Sector borrowings. On average, for 2022–23, PNFC Sector entities borrow around 55 per cent of their asset values.

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 falling to around 54 per cent by 2025–26.

Total PNFC Sector borrowings for 2021–22 is estimated at $48.566 billion, or around $7.260 billion higher than forecast at the 2021–22 Budget. Movements over the forward estimates are primarily 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 $9.185 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.

Port sector borrowings are forecast to increase modestly to $1.125 billion by 2025–26, with increases to fund major capital works and infrastructure projects by the Port of Townsville and Ports North.

Table 8.3 Borrowings and total assets[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Electricity Networks	23,738	24,413	23,907	24,361	24,477	24,590	24,587
Electricity Generation	2,756	1,397	9,533	4,817	2,987	2,474	2,194
Rail	3,829	4,410	4,130	4,401	4,569	4,622	4,663
Ports	1,084	1,115	1,056	1,064	1,106	1,125	1,125
Water	9,983	9,812	9,782	9,543	9,224	8,922	8,627
Other[2]	168	158	158	147	138	130	122
Total PNFC sector	**41,558**	**41,305**	**48,566**	**44,334**	**42,501**	**41,863**	**41,318**
Total Assets	71,543	71,678	75,962	74,953	75,398	75,905	76,774

Notes:

1. Numbers may not add due to rounding.
2. Includes other public corporations.

8.2.3 Returns to government

PNFC Sector entities provide returns to government by way of dividends and tax equivalent payments.

Dividends

Dividends generated by the PNFC Sector form part of consolidated revenue used to fund a range of government services. 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.

Total PNFC Sector dividends for 2021–22 are expected to be $193 million, or $375 million less than forecast at the 2021–22 Queensland Budget. This outcome reflects the government's decision to allow the energy, ports, and water GOCs to retain 2021–22 dividends otherwise payable for reinvestment in critical infrastructure and growth initiatives. In the energy sector, this will include investment in new energy assets to support the energy transformation and put downward pressure on electricity prices through supporting increased supply and storage. This decision recognises the government's commitment to public ownership, and the potential to leverage investment opportunities to grow our businesses and deliver future revenue benefits for Queenslanders.

Over the forward estimates, the PNFC Sector is expected to deliver cumulative dividends of $2.854 billion, with annual dividends increasing to 2023–24 and declining thereafter, to $588 million by 2025–26.

Electricity network dividends are expected to fall to $134 million in 2024–25, due to the AER's revenue determination leading to an expected fall in EQL's and Powerlink's earnings, with a modest recovery thereafter.

The electricity generation sector is forecast to provide dividends from 2022–23, with dividends increasing to 2023–24 and declining to 2025–26. This trend reflects earnings growth of these businesses, with the current wholesale market environment supporting returns in the next couple of years, and a return to more stable levels over the forward estimates. As the energy transformation accelerates, the entry of significant volumes of renewables will continue to boost supply into the grid and put sustained downward pressure on wholesale electricity prices. Lower wholesale prices driven by the influx of renewable generation impacts all generators in the sector.

Ports sector dividends are forecast to increase over the forward estimates in line with earnings.

In the water sector, dividends are expected to be modest over the forward estimates due to the repayment of debt by Seqwater and DIP costs. Only the Mount Isa and Gladstone Area Water Boards are forecasting dividends over the forward estimates.

Table 8.4 Dividends[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Electricity Networks	308	188	..	233	156	134	230
Electricity Generation	108	98	..	284	405	113	38
Rail	183	162	180	168	152	191	163
Ports	111	111	..	118	133	142	142
Water	25	10	13	12	13	13	15
Total PNFC sector	**735**	**568**	**193**	**815**	**859**	**592**	**588**

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 expected to increase from $427 million in 2021–22 to $550 million in 2023–24, and then decrease to $406 million by 2025–26.

Table 8.5 Tax equivalent payments[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Electricity Networks	197	195	199	156	123	131	178
Electricity Generation	108	117	85	219	307	195	121
Rail	54	71	65	81	47	58	32
Ports	51	55	60	61	67	69	67
Water	8	5	18	6	7	7	8
Other[2]	22	1	..	..	1	1	..
Total PNFC sector	**441**	**444**	**427**	**524**	**550**	**460**	**406**

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. A key 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 $205 million in 2021–22, increasing to $221 million in 2023–24 before decreasing to $212 million in 2025–26. Total CNF is primarily driven by the electricity networks sector with payments by EQL increasing to 2023–24, in accordance with an increase to its borrowings to fund capital expenditure. CNF payments by other sectors are largely unchanged over the forward estimates.

Table 8.6 Competitive neutrality fee payments[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Electricity Networks	129	150	152	165	168	159	154
Electricity Generation	15	14	14	12	12	14	14
Rail	31	25	25	28	28	30	31
Ports	10	10	9	8	7	8	8
Water	4	4	4	5	5	4	4
Total PNFC sector	**190**	**203**	**205**	**218**	**221**	**215**	**212**

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 (for example, 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 forecast CSO cost for 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.

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 2021–22 are expected to be $2.564 billion, in line with the $2.612 billion forecast at the 2021–22 Budget. Over the forward estimates, CSO and TSC payments are expected to increase to $2.844 billion by 2025–26. This trend is largely driven by TSC payments, which is due to a mix of factors such as changes in patronage, escalation of service delivery costs, progression of capital works and operational readiness activities to support Cross River Rail, and growth in the number of rail services offered.

Water CSO payments are forecast to peak in 2021–22, due to commencement of the government's rural irrigation water price discount for Sunwater and Seqwater customers for the 3 years to 2023–24, before decreasing over the forward estimates as prices transition towards cost recovery. There is no CSO forecast in 2024–25 because irrigation prices have not yet been set beyond 2023–24.

Table 8.7 Community service obligation payments and transport services contracts[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Electricity Networks	454	502	525	635	514	505	505
Rail	1,912	2,074	2,013	2,153	2,233	2,320	2,332
Water	20	35	26	24	23	7	7
Total PNFC sector	**2,386**	**2,612**	**2,564**	**2,812**	**2,770**	**2,832**	**2,844**

Note:

1. Numbers may not add due to rounding.

8.2.5 Equity movements

Levels of GOC debt and equity are managed by the government to maintain an optimal and efficient capital structure. 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.

In 2021–22, total PNFC Sector equity withdrawals are expected to be $87 million, with Powerlink delivering a $170 million special dividend offsetting equity contribution across the PNFC Sector. This compares to a $453 million equity contribution forecast at the 2021–22 Budget, with the difference due to the timing of funding requirements for approved allocations from the Queensland Renewable Energy and Hydrogen Jobs Fund.

In the electricity networks sector, equity adjustments are made to maintain the gearing ratios of these businesses over time, including special dividends. In 2021–22, Powerlink received $40 million from the Queensland Renewable Energy Zone allocation to upgrade transmission lines and support the connection of Neoen's Kaban Green Power Hub to the electricity grid.

In the electricity generation sector, equity movements primarily relate to allocations from the Queensland Renewable Energy and Hydrogen Jobs Fund for investments in renewables, storage, and hydrogen, and CleanCo's investment in the Karara Wind Farm.

In the ports sector, Port of Townsville is receiving $30 million in 2022–23 for the Channel Capacity Upgrade, with Ports North continuing works to upgrade facilities at the Cairns Marine Precinct. In 2022–23, GPC is forecast to receive $7 million from the Australian Government for the Hinkler Regional Deal, and potentially a further $7.7 million, subject to negotiation of an updated project agreement and completion of delivery milestones. GPC also received $5 million in 2021–22 for a co-contribution from the Australian Government for the Auckland Hill Harbour Outlook Economic Development project under the Regional Recovery Partnerships Program.

In 2022–23, Sunwater is receiving $2.9 million to upgrade infrastructure at Leslie Dam to access water when the dam is very low. Sunwater is also forecast to receive $100 million in 2023–24 towards dam improvements at Burdekin Falls Dam (subject to conditions).

Table 8.8 Equity movements[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Electricity Networks	(97)	(90)	(130)	(70)	(70)	(180)	(257)
Electricity Generation	..	145	17	370	422	158	200
Rail	(8)	..	(5)	36	..	..	..
Ports	45	35	26	37	20	..	..
Water	..	..	..	3	100	..	..
Other[2]	(202)	363	4	43	143	310	603
Total PNFC sector	**(262)**	**453**	**(87)**	**418**	**615**	**288**	**546**

Notes:

1. Numbers may not add due to rounding. Bracketed numbers represent equity returns from the PNFC Sector to the General Government Sector.
2. Includes other public corporations such as Stadiums Queensland and Queensland Treasury Holdings, and funding allocations for Queensland Renewable Energy Zones and the Queensland Renewable Energy and Hydrogen Jobs Fund.

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]

		2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est.Actual $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
	Revenue from Transactions							
	Taxation revenue	16,249	17,399	19,500	18,842	19,700	20,785	21,905
	Grants revenue	33,013	31,935	33,376	35,242	37,780	38,275	38,718
	Sales of goods and services	6,063	6,062	6,032	6,181	6,521	6,253	6,316
	Interest income	1,948	2,537	2,561	2,847	2,910	2,984	3,037
	Dividend and income tax equivalent income	1,310	1,142	672	1,499	1,572	1,232	1,195
	Other revenue	4,148	4,589	10,594	9,275	6,552	7,199	6,848
	Total Revenue from Transactions	**62,732**	**63,664**	**72,735**	**73,886**	**75,034**	**76,728**	**78,019**
Less	**Expenses from Transactions**							
	Employee expenses	26,501	27,474	27,931	30,076	31,253	32,665	33,657
	Superannuation expenses							
	Superannuation interest cost	246	373	378	655	633	655	653
	Other superannuation expenses	3,073	3,156	3,421	3,493	3,676	3,811	3,983
	Other operating expenses	16,335	17,963	19,002	19,805	19,493	18,868	18,935
	Depreciation and amortisation	4,187	4,356	4,474	4,652	4,806	4,985	5,190
	Other interest expenses	1,619	1,667	1,563	1,826	2,242	2,576	2,887
	Grants expenses	11,709	12,160	14,051	14,407	14,013	13,030	12,530
	Total Expenses from Transactions	**63,669**	**67,148**	**70,820**	**74,915**	**76,116**	**76,591**	**77,836**
Equals	**Net Operating Balance**	**(937)**	**(3,485)**	**1,915**	**(1,029)**	**(1,083)**	**137**	**183**
Plus	Other economic flows - included in operating result	9,787	195	567	1	375	288	266
Equals	**Operating Result**	**8,850**	**(3,290)**	**2,482**	**(1,028)**	**(707)**	**426**	**448**
Plus	Other economic flows - other movements in equity	7,044	1,773	1,827	3,348	3,467	2,586	1,763
Equals	**Comprehensive Result - Total Change In Net Worth**	**15,894**	**(1,517)**	**4,309**	**2,320**	**2,760**	**3,012**	**2,211**
	KEY FISCAL AGGREGATES							
	Net Operating Balance	(937)	(3,485)	1,915	(1,029)	(1,083)	137	183
Less	**Net Acquisition of Non-financial Assets**							
	Purchases of non-financial assets	6,835	7,800	7,533	8,478	9,106	9,439	9,264
	Less Sales of non-financial assets	216	240	183	177	242	181	182
	Less Depreciation	4,187	4,356	4,474	4,652	4,806	4,985	5,190
	Plus Change in inventories	46	9	3	42	(35)	27	77
	Plus Other movements in non-financial assets	1,599	1,266	1,422	914	526	844	182
	Equals **Total Net Acquisition of Non-financial Assets**	4,078	4,480	4,302	4,606	4,548	5,145	4,151
Equals	**Fiscal Balance**	**(5,015)**	**(7,965)**	**(2,386)**	**(5,635)**	**(5,631)**	**(5,008)**	**(3,969)**

Note:
1. Numbers may not add due to rounding.

Table 9.2 Public Non-financial Corporations Sector Operating Statement[1]

		2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est.Actual $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
	Revenue from Transactions							
	Grants revenue	615	711	734	851	663	637	631
	Sales of goods and services	12,199	11,161	12,656	12,211	12,419	12,517	12,730
	Interest income	65	58	52	56	67	88	97
	Dividend and income tax equivalent income	15	..	..	..	..	..	..
	Other revenue	345	306	308	471	594	329	316
	Total Revenue from Transactions	**13,240**	**12,237**	**13,750**	**13,589**	**13,744**	**13,572**	**13,774**
Less	**Expenses from Transactions**							
	Employee expenses	2,123	2,211	2,241	2,471	2,546	2,613	2,672
	Superannuation expenses							
	Superannuation interest cost	(3)	..	..	..	..	..	..
	Other superannuation expenses	249	241	229	244	256	265	272
	Other operating expenses	4,895	3,996	5,832	4,576	4,282	4,278	4,400
	Depreciation and amortisation	2,640	2,882	2,859	2,924	3,080	3,243	3,326
	Other interest expenses	1,691	1,661	1,606	1,622	1,605	1,592	1,612
	Grants expenses	24	24	14	24	24	24	18
	Other property expenses	457	448	431	528	555	464	410
	Total Expenses from Transactions	**12,078**	**11,463**	**13,212**	**12,389**	**12,349**	**12,479**	**12,710**
Equals	**Net Operating Balance**	**1,162**	**774**	**538**	**1,199**	**1,395**	**1,093**	**1,064**
Plus	Other economic flows - included in operating result	(466)	13	(456)	138	(101)	(327)	(598)
Equals	**Operating Result**	**696**	**787**	**82**	**1,337**	**1,294**	**766**	**466**
Plus	Other economic flows - other movements in equity	(1,010)	288	(876)	816	590	352	575
Equals	**Comprehensive Result - Total Change In Net Worth**	**(315)**	**1,075**	**(793)**	**2,153**	**1,884**	**1,118**	**1,041**
	KEY FISCAL AGGREGATES							
	Net Operating Balance	1,162	774	538	1,199	1,395	1,093	1,064
Less	**Net Acquisition of Non-financial Assets**							
	Purchases of non-financial assets	3,157	3,713	3,055	3,334	3,025	3,266	3,538
	Less Sales of non-financial assets	69	68	37	33	24	24	34
	Less Depreciation	2,640	2,882	2,859	2,924	3,080	3,243	3,326
	Plus Change in inventories	..	4	33	16	(1)	7	9
	Plus Other movements in non-financial assets	77	106	80	105	306	96	95
	Equals **Total Net Acquisition of Non-financial Assets**	525	872	272	498	225	103	282
Equals	**Fiscal Balance**	**637**	**(98)**	**266**	**701**	**1,170**	**990**	**782**

Note:
1. Numbers may not add due to rounding.

Table 9.3 Non-financial Public Sector Operating Statement[1]

		2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est.Actual $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
	Revenue from Transactions							
	Taxation revenue	15,906	17,062	19,157	18,481	19,336	20,427	21,548
	Grants revenue	33,020	31,951	33,401	35,263	37,795	38,289	38,732
	Sales of goods and services	15,667	14,320	15,908	15,519	16,191	16,082	16,390
	Interest income	2,007	2,578	2,609	2,899	2,973	3,067	3,129
	Dividend and income tax equivalent income	150	129	51	161	162	180	201
	Other revenue	4,478	4,894	10,900	9,744	7,144	7,525	7,161
	Total Revenue from Transactions	**71,228**	**70,934**	**82,027**	**82,066**	**83,600**	**85,572**	**87,161**
Less	**Expenses from Transactions**							
	Employee expenses	28,498	29,561	30,044	32,414	33,666	35,145	36,193
	Superannuation expenses							
	Superannuation interest cost	243	373	378	655	633	655	653
	Other superannuation expenses	3,322	3,397	3,650	3,738	3,932	4,076	4,255
	Other operating expenses	18,610	19,049	22,046	21,499	21,017	20,449	20,671
	Depreciation and amortisation	6,827	7,238	7,333	7,576	7,887	8,228	8,516
	Other interest expenses	3,114	3,107	2,959	3,228	3,621	3,949	4,282
	Grants expenses	11,125	11,489	13,356	13,601	13,390	12,432	11,932
	Total Expenses from Transactions	**71,739**	**74,213**	**79,766**	**82,710**	**84,147**	**84,933**	**86,502**
Equals	**Net Operating Balance**	**(511)**	**(3,279)**	**2,260**	**(644)**	**(547)**	**639**	**659**
Plus	Other economic flows - included in operating result	8,872	118	(59)	69	204	(219)	(589)
Equals	**Operating Result**	**(8,361)**	**(3,161)**	**2,201**	**(575)**	**(342)**	**420**	**69**
Plus	Other economic flows - other movements in equity	7,532	1,644	2,108	2,895	3,102	2,592	2,142
Equals	**Comprehensive Result - Total Change In Net Worth**	**15,894**	**(1,517)**	**4,309**	**2,320**	**2,760**	**3,012**	**2,211**
	KEY FISCAL AGGREGATES							
	Net Operating Balance	(511)	(3,279)	2,260	(644)	(547)	639	659
Less	**Net Acquisition of Non-financial Assets**							
	Purchases of non-financial assets	10,007	11,513	10,588	11,812	12,131	12,705	12,802
	Less Sales of non-financial assets	272	308	220	211	266	204	216
	Less Depreciation	6,827	7,238	7,333	7,576	7,887	8,228	8,516
	Plus Change in inventories	46	13	35	59	(36)	34	86
	Plus Other movements in non-financial assets	1,676	1,372	1,503	1,020	831	941	278
	Equals **Total Net Acquisition of Non-financial Assets**	4,630	5,352	4,573	5,104	4,774	5,248	4,433
Equals	**Fiscal Balance**	**(5,141)**	**(8,631)**	**(2,313)**	**(5,749)**	**(5,321)**	**(4,609)**	**(3,774)**

Note:
1. Numbers may not add due to rounding.

Table 9.4 General Government Balance Sheet[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est.Actual $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Assets							
Financial Assets							
Cash and deposits	1,072	860	981	757	683	625	563
Advances paid	1,339	1,545	1,426	1,408	1,389	1,346	1,258
Investments, loans and placements	41,742	39,319	45,265	46,267	47,263	48,200	49,043
Receivables	5,521	3,305	3,284	4,947	5,418	5,230	5,186
Equity							
Investments in other public sector entities	21,429	22,857	20,302	22,455	24,340	25,458	26,499
Investments - other	165	161	164	165	165	165	165
Total Financial Assets	**71,267**	**68,047**	**71,422**	**76,000**	**79,258**	**81,025**	**82,713**
Non-financial Assets							
Land and other fixed assets	243,075	243,243	248,729	254,571	260,287	266,760	272,290
Other non-financial assets	7,390	6,920	6,375	6,745	7,236	7,541	7,863
Total Non-financial Assets	**250,464**	**250,163**	**255,104**	**261,316**	**267,523**	**274,301**	**280,154**
Total Assets	**321,731**	**318,210**	**326,526**	**337,316**	**346,781**	**355,326**	**362,867**
Liabilities							
Payables	4,725	4,673	4,926	4,965	4,917	4,952	4,992
Superannuation liability	27,322	22,686	24,810	24,069	22,484	21,106	20,076
Other employee benefits	8,914	8,514	9,220	9,615	9,845	10,191	10,618
Advances received	1,435	1,432	847	1,745	2,714	2,736	2,793
Borrowing[2]	54,078	65,041	58,215	66,459	74,224	81,102	87,284
Other liabilities	15,633	12,690	14,575	14,210	13,583	13,213	12,867
Total Liabilities	**112,106**	**115,037**	**112,592**	**121,062**	**127,767**	**133,300**	**138,629**
Net Worth	**209,625**	**203,174**	**213,934**	**216,254**	**219,014**	**222,026**	**224,237**
Net Financial Worth	(40,839)	(46,989)	(41,170)	(45,062)	(48,509)	(52,275)	(55,916)
Net Financial Liabilities	62,268	69,847	61,473	67,517	72,848	77,733	82,416
Net Debt	11,360	24,750	11,390	19,772	27,603	33,667	39,214
Notes:							
1. Numbers may not add due to rounding.							
2. Borrowing line comprised of:							
Borrowing with QTC	46,153	57,240	50,451	58,853	66,415	73,338	80,622
Leases and other similar arrangements	7,704	7,603	7,544	7,385	7,589	7,544	6,442
Securities and derivatives	220	198	220	220	220	220	220
	54,078	**65,041**	**58,215**	**66,459**	**74,224**	**81,102**	**87,284**

Table 9.5 Public Non-financial Corporations Sector Balance Sheet[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est.Actual $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Assets							
Financial Assets							
Cash and deposits	1,159	784	925	1,162	1,618	1,650	1,681
Advances paid	1,135	1,214	608	1,554	2,572	2,643	2,749
Investments, loans and placements	1,345	308	6,123	2,914	1,320	989	935
Receivables	1,829	1,572	2,260	2,056	1,877	1,909	1,925
Equity							
Investments - other	7	9	7	7	7	7	7
Total Financial Assets	**5,474**	**3,887**	**9,922**	**7,693**	**7,394**	**7,199**	**7,296**
Non-financial Assets							
Land and other fixed assets	64,054	66,328	64,619	65,864	66,663	67,327	68,057
Other non-financial assets	2,014	1,463	1,420	1,396	1,342	1,379	1,421
Total Non-financial Assets	**66,068**	**67,791**	**66,039**	**67,260**	**68,004**	**68,706**	**69,477**
Total Assets	**71,543**	**71,678**	**75,962**	**74,953**	**75,398**	**75,905**	**76,774**
Liabilities							
Payables	2,304	1,640	1,412	2,037	2,083	1,823	1,899
Superannuation liability	(273)	(152)	(273)	(273)	(273)	(273)	(273)
Other employee benefits	963	940	934	1,008	1,018	1,057	1,096
Deposits held	12	13	12	12	12	12	12
Advances received	5	4	106	4	3	2	2
Borrowing[2]	41,558	41,305	48,566	44,334	42,501	41,863	41,318
Other liabilities	8,319	7,857	7,343	7,816	8,155	8,404	8,662
Total Liabilities	**52,888**	**51,608**	**58,100**	**54,938**	**53,499**	**52,888**	**52,715**
Net Worth	**18,655**	**20,070**	**17,861**	**20,014**	**21,899**	**23,017**	**24,058**
Net Financial Worth	(47,414)	(47,721)	(48,178)	(47,245)	(46,105)	(45,689)	(45,419)
Net Debt	37,936	39,017	41,029	38,720	37,006	36,594	35,967
Notes:							
1. Numbers may not add due to rounding.							
2. Borrowing line comprised of:							
Borrowing with QTC	39,747	40,655	42,148	41,700	41,431	41,294	40,910
Leases and other similar arrangements	454	405	354	326	488	430	370
Securities and derivatives	1,357	245	6,064	2,308	582	139	38
	41,558	**41,305**	**48,566**	**44,334**	**42,501**	**41,863**	**41,318**

Table 9.6 Non-financial Public Sector Balance Sheet[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est.Actual $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Assets							
Financial Assets							
Cash and deposits	2,232	1,644	1,906	1,919	2,301	2,276	2,243
Advances paid	1,334	1,540	1,320	1,404	1,386	1,344	1,256
Investments, loans and placements	43,086	39,628	51,387	49,180	48,583	49,189	49,977
Receivables	6,418	4,037	4,954	5,761	5,998	6,102	6,017
Equity							
Investments in other public sector entities	2,775	2,788	2,442	2,442	2,442	2,442	2,442
Investments - other	172	171	171	172	172	172	172
Other financial assets							
Total Financial Assets	**56,016**	**49,807**	**62,179**	**60,879**	**60,882**	**61,525**	**62,107**
Non-financial Assets							
Land and other fixed assets	307,128	309,570	313,347	320,434	326,949	334,086	340,346
Other non-financial assets	1,256	1,107	1,174	1,095	1,197	1,181	1,182
Total Non-financial Assets	**308,385**	**310,677**	**314,521**	**321,530**	**328,146**	**335,267**	**341,528**
Total Assets	**364,401**	**360,484**	**376,701**	**382,408**	**389,028**	**396,792**	**403,635**
Liabilities							
Payables	6,150	5,520	5,798	5,811	5,756	5,791	5,851
Superannuation liability	27,049	22,534	24,537	23,796	22,211	20,833	19,803
Other employee benefits	9,877	9,453	10,154	10,623	10,863	11,247	11,714
Deposits held	12	13	12	12	12	12	12
Advances received	300	218	239	190	142	93	43
Borrowing[2]	95,626	106,341	106,774	110,786	116,719	122,958	128,595
Other liabilities	15,762	13,231	15,253	14,936	14,312	13,832	13,379
Total Liabilities	**154,775**	**157,310**	**162,767**	**166,154**	**170,014**	**174,766**	**179,398**
Net Worth	**209,625**	**203,174**	**213,934**	**216,254**	**219,014**	**222,026**	**224,237**
Net Financial Worth	(98,759)	(107,503)	(100,587)	(105,276)	(109,132)	(113,241)	(117,291)
Net Financial Liabilities	101,534	110,291	103,029	107,717	111,573	115,683	119,732
Net Debt	49,287	63,760	52,412	58,485	64,603	70,255	75,174
Notes:							
1. Numbers may not add due to rounding.							
2. Borrowing line comprised of:							
Borrowing with QTC	85,901	97,896	92,599	100,553	107,847	114,632	121,533
Leases and other similar arrangements	8,158	8,009	7,898	7,711	8,076	7,975	6,812
Securities and derivatives	1,567	436	6,277	2,521	795	352	251
	95,626	**106,341**	**106,774**	**110,786**	**116,719**	**122,958**	**128,595**

Table 9.7 General Government Sector Cash Flow Statement[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est.Actual $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Cash Receipts from Operating Activities							
Taxes received	15,882	18,657	20,758	18,840	19,698	20,783	21,904
Grants and subsidies received	31,226	31,906	33,915	34,382	37,484	38,252	38,901
Sales of goods and services	6,217	6,312	6,342	6,457	6,772	6,564	6,612
Interest receipts	2,077	2,535	2,587	2,844	2,907	2,982	3,035
Dividends and income tax equivalents	1,673	897	1,088	788	1,454	1,614	1,238
Other receipts	5,745	5,730	12,159	10,866	8,035	8,228	8,345
Total Operating Receipts	**62,820**	**66,038**	**76,848**	**74,178**	**76,351**	**78,423**	**80,035**
Cash Payments for Operating Activities							
Payments for employees	(30,320)	(31,442)	(31,705)	(34,334)	(35,835)	(37,471)	(38,696)
Payments for goods and services	(19,002)	(20,402)	(21,002)	(22,258)	(21,998)	(21,386)	(21,518)
Grants and subsidies	(11,709)	(12,100)	(13,971)	(14,293)	(13,967)	(12,986)	(12,484)
Interest paid	(1,568)	(1,600)	(1,495)	(1,755)	(2,161)	(2,495)	(2,808)
Other payments	(2)	..	(1)	..	..	..	..
Total Operating Payments	**(62,601)**	**(65,544)**	**(68,175)**	**(72,640)**	**(73,962)**	**(74,338)**	**(75,506)**
Net Cash Inflows from Operating Activities	**219**	**493**	**8,674**	**1,538**	**2,389**	**4,085**	**4,529**
Cash Flows from Investments in Non-Financial Assets							
Purchases of non-financial assets	(6,835)	(7,800)	(7,533)	(8,478)	(9,106)	(9,439)	(9,264)
Sales of non-financial assets	216	240	183	177	242	181	182
Net Cash Flows from Investments in Non-financial Assets	**(6,619)**	**(7,561)**	**(7,351)**	**(8,301)**	**(8,864)**	**(9,259)**	**(9,082)**
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**(33)**	**(636)**	**60**	**(478)**	**(568)**	**(313)**	**(499)**
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**(3,513)**	**(821)**	**(3,470)**	**1,321**	**(924)**	**(849)**	**(832)**
Receipts from Financing Activities							
Advances received (net)	(410)	(69)	(584)	900	971	24	58
Borrowing (net)	10,224	8,501	2,580	4,797	6,922	6,255	5,763
Deposits received (net)	(1)	..	..	..	..	..	..
Net Cash Flows from Financing Activities	**9,813**	**8,433**	**1,995**	**5,697**	**7,894**	**6,279**	**5,821**
Net Increase/(Decrease) in Cash held	**(133)**	**(91)**	**(92)**	**(223)**	**(73)**	**(57)**	**(62)**
Net cash from operating activities	219	493	8,674	1,538	2,389	4,085	4,529
Net cash flows from investments in non-financial assets	(6,619)	(7,561)	(7,351)	(8,301)	(8,864)	(9,259)	(9,082)
Surplus/(Deficit)	**(6,401)**	**(7,067)**	**1,323**	**(6,763)**	**(6,475)**	**(5,174)**	**(4,553)**
Derivation of ABS GFS Cash Surplus/Deficit							
Cash surplus/(deficit)	(6,401)	(7,067)	1,323	(6,763)	(6,475)	(5,174)	(4,553)
Acquisitions under finance leases and similar arrangements	(1,547)	(1,088)	(1,251)	(810)	(344)	(163)	(2)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	**(7,948)**	**(8,155)**	**72**	**(7,573)**	**(6,819)**	**(5,337)**	**(4,555)**

Note:
1. Numbers may not add due to rounding.

Table 9.8 Public Non-financial Corporations Sector Cash Flow Statement[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est.Actual $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Cash Receipts from Operating Activities							
Grants and subsidies received	614	681	717	831	668	626	620
Sales of goods and services	13,555	12,674	14,140	14,112	14,290	14,206	14,431
Interest receipts	66	58	52	56	67	88	97
Dividends and income tax equivalents	15	..	..	..	..	..	..
Other receipts	182	206	257	321	512	248	236
Total Operating Receipts	**14,433**	**13,620**	**15,166**	**15,319**	**15,537**	**15,168**	**15,384**
Cash Payments for Operating Activities							
Payments for employees	(2,295)	(2,426)	(2,500)	(2,641)	(2,793)	(2,839)	(2,904)
Payments for goods and services	(5,931)	(5,593)	(7,813)	(5,979)	(5,704)	(5,676)	(5,733)
Grants and subsidies	(24)	(24)	(14)	(24)	(24)	(24)	(18)
Interest paid	(1,684)	(1,645)	(1,595)	(1,610)	(1,598)	(1,588)	(1,605)
Other payments	(1,002)	(869)	(866)	(999)	(983)	(1,088)	(963)
Total Operating Payments	**(10,936)**	**(10,557)**	**(12,788)**	**(11,253)**	**(11,102)**	**(11,214)**	**(11,223)**
Net Cash Inflows from Operating Activities	**3,497**	**3,063**	**2,378**	**4,066**	**4,435**	**3,954**	**4,162**
Cash Flows from Investments in Non-Financial Assets							
Purchases of non-financial assets	(3,157)	(3,713)	(3,055)	(3,334)	(3,025)	(3,266)	(3,538)
Sales of non-financial assets	69	68	37	33	24	24	34
Net Cash Flows from Investments in Non-financial Assets	**(3,088)**	**(3,644)**	**(3,018)**	**(3,301)**	**(3,001)**	**(3,242)**	**(3,504)**
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**262**	**(68)**	**357**	**(1,017)**	**(1,088)**	**(156)**	**(291)**
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**10**	**(12)**	**(1,169)**	**608**	**543**	**108**	**(19)**
Receipts from Financing Activities							
Advances received (net)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Borrowing (net)	806	380	2,163	(415)	(303)	(204)	(450)
Dividends paid	(1,071)	(419)	(735)	(192)	(815)	(895)	(669)
Deposits received (net)	(1)	..	..	..	..	..	..
Other financing (net)	(144)	543	(209)	488	685	468	803
Net Cash Flows from Financing Activities	**(411)**	**503**	**1,218**	**(119)**	**(433)**	**(631)**	**(317)**
Net Increase/(Decrease) in Cash held	**270**	**(157)**	**(234)**	**237**	**456**	**33**	**30**
Net cash from operating activities	3,497	3,063	2,378	4,066	4,435	3,954	4,162
Net cash flows from investments in non-financial assets	(3,088)	(3,644)	(3,018)	(3,301)	(3,001)	(3,242)	(3,504)
Dividends paid	(1,071)	(419)	(735)	(192)	(815)	(895)	(669)
Surplus/(Deficit)	**(662)**	**(1,001)**	**(1,375)**	**573**	**619**	**(183)**	**(12)**
Derivation of ABS GFS Cash Surplus/Deficit							
Cash surplus/(deficit)	(662)	(1,001)	(1,375)	573	619	(183)	(12)
Acquisitions under finance leases and similar arrangements	(18)	(5)	(10)	(26)	(223)	(15)	(14)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	**(680)**	**(1,006)**	**(1,385)**	**547**	**396**	**(198)**	**(26)**

Note:

1. Numbers may not add due to rounding.

Table 9.9 Non-financial Public Sector Cash Flow Statement[1]

	2020–21 Outcome $ million	2021–22 Budget $ million	2021–22 Est.Actual $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Cash Receipts from Operating Activities							
Taxes received	15,549	18,321	20,416	18,480	19,335	20,426	21,547
Grants and subsidies received	31,233	31,910	33,928	34,392	37,494	38,255	38,904
Sales of goods and services	17,166	15,702	17,287	17,413	17,930	17,687	17,992
Interest receipts	2,136	2,575	2,634	2,896	2,970	3,065	3,127
Dividends and income tax equivalents	121	122	90	104	161	170	188
Other receipts	5,893	5,926	12,405	11,174	8,514	8,466	8,569
Total Operating Receipts	**72,098**	**74,556**	**86,759**	**84,459**	**86,404**	**88,068**	**90,327**
Cash Payments for Operating Activities							
Payments for employees	(32,489)	(33,744)	(34,076)	(36,842)	(38,495)	(40,176)	(41,464)
Payments for goods and services	(22,256)	(22,714)	(25,611)	(25,064)	(24,532)	(23,966)	(24,182)
Grants and subsidies	(11,128)	(11,428)	(13,276)	(13,496)	(13,335)	(12,386)	(11,886)
Interest paid	(3,061)	(3,024)	(2,882)	(3,144)	(3,534)	(3,863)	(4,196)
Other payments	(490)	(508)	(599)	(501)	(499)	(533)	(577)
Total Operating Payments	**(69,424)**	**(71,419)**	**(76,443)**	**(79,048)**	**(80,395)**	**(80,925)**	**(82,306)**
Net Cash Inflows from Operating Activities	**2,675**	**3,137**	**10,316**	**5,411**	**6,009**	**7,143**	**8,021**
Cash Flows from Investments in Non-Financial Assets							
Purchases of non-financial assets	(10,007)	(11,513)	(10,588)	(11,812)	(12,131)	(12,705)	(12,802)
Sales of non-financial assets	272	308	220	211	266	204	216
Net Cash Flows from Investments in Non-financial Assets	**(9,735)**	**(11,205)**	**(10,368)**	**(11,602)**	**(11,865)**	**(12,501)**	**(12,586)**
Net Cash Flows from Investments in Financial Assets for Policy Purposes	**(84)**	**(183)**	**(23)**	**(60)**	**46**	**69**	**119**
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	**(3,503)**	**(832)**	**(4,640)**	**1,929**	**(381)**	**(741)**	**(851)**
Receipts from Financing Activities							
Advances received (net)	(55)	(47)	(57)	(47)	(47)	(47)	(48)
Borrowing (net)	11,031	8,881	4,743	4,382	6,620	6,051	5,313
Deposits received (net)	(1)	..	..	..	..	..	..
Other financing (net)	(191)	..	(297)	..	..	..	..
Net Cash Flows from Financing Activities	**10,783**	**8,835**	**4,389**	**4,335**	**6,573**	**6,004**	**5,266**
Net Increase/(Decrease) in Cash held	**137**	**(249)**	**(326)**	**13**	**382**	**(25)**	**(32)**
Net cash from operating activities	2,675	3,137	10,316	5,411	6,009	7,143	8,021
Net cash flows from investments in non-financial assets	(9,735)	(11,205)	(10,368)	(11,602)	(11,865)	(12,501)	(12,586)
Surplus/(Deficit)	**(7,060)**	**(8,068)**	**(52)**	**(6,191)**	**(5,856)**	**(5,357)**	**(4,565)**
Derivation of ABS GFS Cash Surplus/Deficit							
Cash surplus/(deficit)	(7,060)	(8,068)	(52)	(6,191)	(5,856)	(5,357)	(4,565)
Acquisitions under finance leases and similar arrangements	(1,565)	(1,093)	(1,261)	(835)	(567)	(178)	(16)
ABS GFS Cash Surplus/(Deficit) Including Finance Leases and Similar Arrangements	**(8,625)**	**(9,161)**	**(1,313)**	**(7,026)**	**(6,423)**	**(5,536)**	**(4,581)**

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 2009–10 to 2020–21 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]

	2009–10 Actual $ million	2010–11 Actual $ million	2011–12 Actual $ million	2012–13 Actual $ million	2013–14 Actual $ million	2014–15 Actual $ million	2015–16 Actual $ million	2016–17 Actual $ million	2017–18 Actual $ million	2018–19 Actual $ million	2019-20 Actual $ million	2020-21 Actual $ million
Revenue from Transactions												
Taxation revenue	9,375	9,981	10,608	10,937	11,840	12,598	12,547	12,919	13,244	14,165	14,585	16,249
Grant revenue	20,205	20,338	22,652	18,322	21,740	23,583	23,740	27,384	27,966	28,307	27,645	33,013
Sales of goods and services	3,961	4,172	5,002	5,087	5,039	5,443	5,712	5,642	5,884	5,783	5,618	6,063
Interest income	2,204	2,368	2,485	2,644	2,460	2,470	2,543	2,351	2,389	2,191	2,088	1,948
Dividend and income tax equivalent income	949	1,232	1,112	1,351	1,975	2,554	2,661	2,675	2,920	2,784	1,926	1,310
Other revenue	3,033	3,921	3,942	3,415	3,650	3,322	3,577	5,223	5,685	6,598	5,915	4,148
Total Revenue	**39,727**	**42,013**	**45,801**	**41,755**	**46,705**	**49,970**	**50,780**	**56,194**	**58,087**	**59,828**	**57,778**	**62,732**
Expenses from Transactions												
Employee expenses	15,566	16,826	18,250	18,130	17,816	18,592	20,045	21,258	22,681	24,019	25,662	26,501
Superannuation expenses												
Superannuation interest costs	1,320	1,240	1,216	923	963	878	767	514	667	653	354	246
Other superannuation expenses	2,051	2,171	2,301	2,420	2,277	2,319	2,507	2,661	2,741	3,012	3,183	3,073
Other operating expenses	7,568	8,646	9,497	12,817	13,108	14,539	14,811	15,578	17,259	16,480	17,085	16,335
Depreciation and amortisation	2,501	2,507	2,777	2,902	3,060	3,137	2,921	3,068	3,326	3,451	4,033	4,187
Other interest expenses	803	1,125	1,659	1,940	2,200	2,328	2,220	1,722	1,614	1,581	1,486	1,619
Grant expenses	9,790	10,963	10,327	7,182	6,792	7,758	6,841	8,568	8,048	9,647	11,702	11,709
Total Expenses	**39,599**	**43,479**	**46,028**	**46,312**	**46,217**	**49,551**	**50,112**	**53,369**	**56,337**	**58,843**	**63,505**	**63,669**
Net Operating Balance	**128**	**(1,466)**	**(226)**	**(4,558)**	**488**	**420**	**668**	**2,825**	**1,750**	**985**	**(5,728)**	**(937)**
OTHER KEY AGGREGATES												
Purchases of non-financial assets	8,959	8,237	7,971	7,001	6,323	4,635	4,044	4,620	5,126	5,764	6,306	6,835
Net acquisition of non-financial assets	6,665	5,583	5,241	3,389	3,087	992	1,164	2,265	2,337	3,192	3,436	4,078
Fiscal Balance	**(6,537)**	**(7,049)**	**(5,467)**	**(7,947)**	**(2,599)**	**(572)**	**(497)**	**560**	**(587)**	**(2,207)**	**(9,164)**	**(5,015)**
Cash Surplus/(Deficit)	(5,341)	(5,880)	(4,951)	(8,585)	(3,213)	(105)	866	1,448	337	302	(6,228)	(6,401)
Net Worth	175,588	177,875	170,745	172,963	166,492	171,933	188,099	194,988	195,038	200,861	195,646	209,625
Net Debt	(13,354)	(9,542)	(5,720)	2,399	5,208	5,749	653	(355)	(509)	(198)	14,036	11,360
Borrowing with QTC[2]	15,182	23,711	28,391	36,508	39,864	41,343	34,200	31,358	29,256	29,468	37,570	46,153
Leases and similar arrangements	274	508	637	734	882	1,126	1,370	1,503	2,142	2,612	6,485	7,704
Borrowing with QTC (NFPS)	50,745	52,521	60,205	67,116	70,668	73,256	71,160	69,107	66,964	67,576	76,464	85,901
Leases and similar arrangements (NFPS)	735	884	1,127	1,559	1,752	1,802	1,316	1,882	2,142	2,612	6,977	8,158

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]

	2021–22 Est. Act. $ million	2022–23 Budget $ million
Current grant revenue		
Current grants from the Commonwealth		
General purpose grants	15,848	17,841
Specific purpose grants	10,257	10,265
Specific purpose grants for on-passing	4,316	3,964
Total current grants from the Commonwealth	30,422	32,070
Other contributions and grants	294	302
Total current grant revenue	**30,716**	**32,372**
Capital grant revenue		
Capital grants from the Commonwealth		
Specific purpose grants	2,594	2,854
Total capital grants from the Commonwealth	2,594	2,854
Other contributions and grants	66	17
Total capital grant revenue	**2,661**	**2,870**
Total grant revenue	**33,376**	**35,242**

Note:
1. Numbers may not add due to rounding.

Table 9.12 General Government Sector grant expenses[1]

	2021–22 Est. Act $ million	2022–23 Budget $ million
Current grant expense		
Private and Not-for-profit sector	3,354	3,590
Private and Not-for-profit sector on-passing	3,649	3,840
Local Government	974	178
Local Government on-passing	689	146
Grants to other sectors of Government	2,709	2,888
Other	450	838
Total current grant expense	**11,826**	**11,481**
Capital grant expense		
Private and Not-for-profit sector	540	569
Local Government	1,266	1,956
Grants to other sectors of Government	20	65
Other	399	336
Total capital grant expense	**2,225**	**2,927**
Total grant expense	**14,051**	**14,407**

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]

	2021–22 Est. Act. $ million	2022–23 Budget $ million
Dividend and Income Tax Equivalent income from PNFC sector	620	1,338
Dividend and Income Tax Equivalent income from PFC sector	51	160
Total Dividend and Income Tax Equivalent income	**671**	**1,499**

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]

	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
General public services	5,352	5,685	6,555	6,828	6,929	7,009
Public order and safety	6,313	6,575	6,719	6,900	7,134	7,204
Economic affairs	2,217	2,854	2,810	2,294	2,099	2,008
Environmental protection	875	1,536	846	860	755	751
Housing and community amenities	1,162	1,191	1,539	1,532	1,271	1,289
Health	21,214	21,926	22,466	23,715	24,418	25,220
Recreation, culture and religion	941	807	1,022	1,071	1,052	1,057
Education	16,803	17,059	18,232	18,869	19,135	19,731
Social protection	5,001	5,760	6,936	6,469	6,374	6,325
Transport	7,273	7,427	7,791	7,577	7,424	7,242
Total Expenses	**67,148**	**70,820**	**74,915**	**76,116**	**76,591**	**77,836**

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]

	2021–22 Budget $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
General public services	69	147	223	157	374	376
Public order and safety	596	451	766	543	290	201
Economic affairs	53	34	47	60	23	27
Environmental protection	45	60	46	54	102	116
Housing and community amenities	438	296	371	339	324	121
Health	1,241	820	1,222	2,028	2,019	2,634
Recreation, culture and religion	118	130	140	99	82	53
Education	1,417	1,205	1,321	1,082	801	561
Social protection	24	11	65	110	77	62
Transport	3,800	4,379	4,278	4,634	5,349	5,113
Total Purchases	**7,800**	**7,533**	**8,478**	**9,106**	**9,439**	**9,264**

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]

	2021–22 Est. Act. $ million	2022–23 Budget $ million
Taxes on employers' payroll and labour force	4,957	5,242
Taxes on property		
Land taxes	1,603	1,773
Stamp duties on financial and capital transactions	6,028	4,722
Other	1,269	1,315
Taxes on the provision of goods and services		
Taxes on gambling	1,589	1,646
Taxes on insurance	1,295	1,347
Taxes on use of goods and performance of activities		
Motor vehicle taxes	2,759	2,797
Total Taxation Revenue	**19,500**	**18,842**

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 *2020–21 Report on State Finances* - whole-of-government financial statements (note 43).

A summary of the state's quantifiable contingent liabilities as at 30 June 2021 is provided in Table 9.17.

Table 9.17 Contingent liabilities

	2020–21 $ million
Nature of contingent liability	
Guarantees and indemnities	13,497
Other	172
Total	**13,669**

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 2 points in time. Flows comprise 2 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 General 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 discussion of the GFS framework of reporting, including definitions of GFS terms, can be obtained from the website page of the ABS at 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

Children, Youth Justice and Multicultural Affairs

Communities, Housing and Digital Economy

Education

Employment, Small Business and Training

Energy and Public Works

Environment and Science

Justice and Attorney-General

Premier and Cabinet

Queensland Corrective Services

Queensland Fire and Emergency Services

Queensland Health

Queensland Police Service

Queensland Treasury

Regional Development, Manufacturing and Water

Resources

Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships

State Development, Infrastructure, Local Government and Planning

Tourism, Innovation and Sport

Transport and Main Roads

Commercialised Business Units

CITEC

Economic Development Queensland

QBuild

QFleet

RoadTek

Shared Service Providers

Corporate Administration Agency

Queensland Shared Services

Other General Government entities

Board of the Queensland Museum

Crime and Corruption Commission

Cross River Rail Delivery Authority

Electoral Commission of Queensland

Gold Coast Waterways Authority

Health and Wellbeing Queensland

Hospital and Health Services

- Cairns and Hinterland
- Central Queensland
- Central West
- Children’s Health Queensland
- Darling Downs
- Gold Coast
- Mackay
- Metro North
- Metro South
- North West
- South West
- Sunshine Coast
- Torres and Cape
- Townsville
- West Moreton
- Wide Bay

Legal Aid Queensland

Legislative Assembly

Library Board of Queensland

Motor Accident Insurance Commission

Nominal Defendant

Office of the Governor

Office of the Health Ombudsman

Office of the Information Commissioner

Office of the Inspector-General Emergency Management

Office of the Ombudsman

Prostitution Licensing Authority

Public Service Commission

Queensland Art Gallery Board of Trustees

Queensland Audit Office

Queensland Building and Construction Commission

Queensland Curriculum and Assessment Authority

Queensland Family and Child Commission

Queensland Human Rights Commission

Queensland Mental Health Commission

Queensland Performing Arts Trust

Queensland Racing Integrity Commission

Queensland Reconstruction Authority

Queensland Rural and Industry Development Authority

Residential Tenancies Authority

South Bank Corporation

TAFE Queensland

The Council of the Queensland Institute of Medical Research

The Public Trustee of Queensland

Tourism and Events Queensland

Trade and Investment Queensland

9.8.2 Public Non-financial Corporations

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 (SEQ Water)

Queensland Rail

Queensland Treasury Holdings Pty Ltd

Stadiums Queensland

Stanwell Corporation Limited

Sunwater Limited

Appendix A: Concessions statement

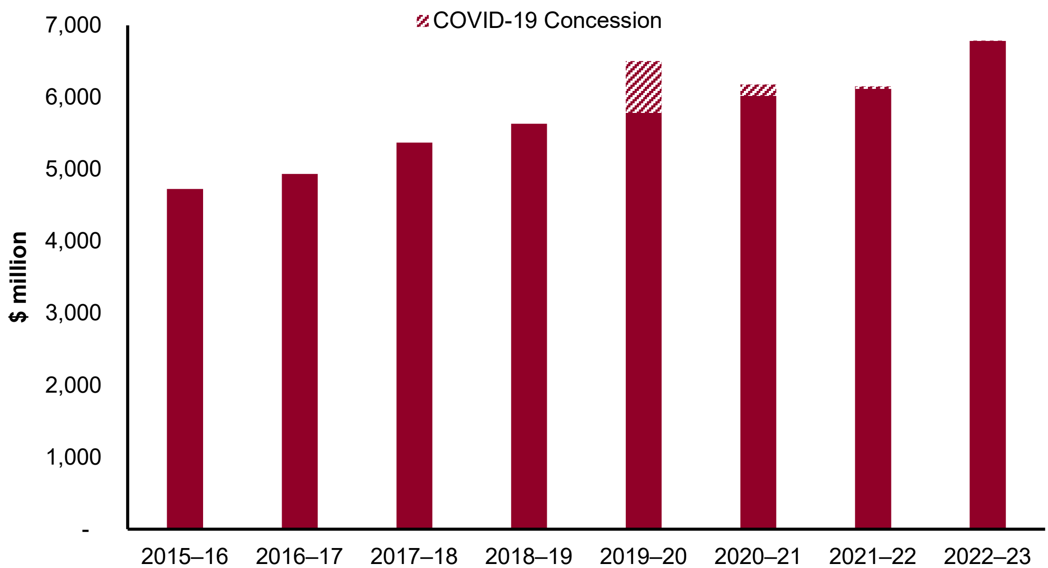
Queensland Government subsidies, discounts and rebates to ease cost of living pressures and support businesses

The current global inflationary environment is driving up costs for households and businesses. The Queensland Government is acutely aware of the impact that these recent inflationary pressures are likely to have on the cost of living for Queenslanders.

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. The importance of these concessions is underscored in the current environment characterised by high inflation and increasing living costs both in Australia and overseas.

As highlighted in Chart A.1, the total value of all concessions provided to Queenslanders is estimated to be $6.786 billion in 2022–23. This represents an increase of 10.3 per cent compared with estimated actual concessions of $6.152 billion in 2021–22.

Chart A.1 Total concessions value by year[1]



Note:
1. All years to 2018–19 are estimated actuals, 2019–20 is an actual (due to the timing of the 2020–21 Budget, an actual figure was calculated for that year), 2020–21 and 2021–22 are estimated actuals and 2022–23 is the budgeted amount.

Importantly, over the 7 years from 2015–16 to 2022–23, the growth in total concessions has outpaced inflation by 1.4 per cent on average each year. This has ensured that the real value of concessions available to Queenslanders has not only been maintained but has also grown over time. Further detail regarding Queensland Government cost of living support can be found in Chapter 1.

The majority of Queenslanders benefit from at least one Queensland Government concession and, in many cases, may benefit from multiple concessions each year. For example, aged pensioners are eligible for a number of Queensland Government concessions, such as discounts on their council rates, water, gas and electricity bills, and vehicle registration fees, as well as subsidised optometry and dental services.

Further information on the eligibility requirements and benefits of a range of government concessions can be found by visiting https://www.qld.gov.au/ and searching for "concessions".

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 what 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, concessional leases (industry, commercial and community) by GOC and COVID-19-related measures 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 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	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Agency		
Department of Agriculture and Fisheries	25.7	25.3
Department of Communities, Housing and Digital Economy	541.9	592.1
Department of Education	147.3	155.3
Department of Employment, Small Business and Training	504.5	514.9
Department of Energy and Public Works	559.2	667.2
Department of Environment and Science	3.2	1.7
Department of Justice and Attorney-General	132.6	115.0
Department of Regional Development, Manufacturing and Water	35.4	38.3
Department of Resources	3.2	3.2
Department of Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships	420.2	725.0
Department of Tourism, Innovation and Sport	1.6	1.6
Department of Transport and Main Roads	3,350.3	3,477.2
Queensland Fire and Emergency Services	10.9	11.3
Queensland Health	284.8	319.3
Total Agency	**6,020.8**	**6,647.4**
Government-owned corporations		
Energy Queensland Limited	27.7	28.5
Far North Queensland Ports Corporation Limited	3.6	3.4
Gladstone Ports Corporation Limited	39.7	43.5
North Queensland Bulk Ports Corporation Limited	1.6	1.6
Port of Townsville Limited	6.3	6.5
Queensland Rail	2.1	2.2
Sunwater Limited	50.4	52.5
Total government-owned corporations	**131.4**	**138.2**
Total all entities	**6,152.2**	**6,785.6**

Note:
1. Numbers may not add due to rounding.

A.2 Concessions by agency

Table A.2.1 Department of Agriculture and Fisheries

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Primary Industry Productivity Enhancement Scheme (PIPES)	10.6	10.6
Drought Relief Assistance Scheme[1]	8.0	5.7
Drought Preparedness Grant Scheme[2]	2.0	3.0
Drought Carry-on Finance Loan Scheme[3]	0.6	2.0
Drought Ready and Recovery Finance Loan Scheme[3]	0.6	2.0
Emergency Drought Assistance Loan Scheme[3]	0.3	1.0
Farm Management Grants Program[4]	1.0	1.0
#pickqld bonus (formally the Back to Work in Agriculture Incentive Scheme)[5]	1.9	..
Business Counselling[6]	0.7	..
Total	**25.7**	**25.3**

Notes:

1. The variance is due to the reduced demand anticipated for this scheme as a result of improved seasonal conditions in many parts of Queensland.
2. This scheme commenced in November 2021. The initial year was not a full year of operation.
3. This scheme commenced in March 2022. The initial year was not a full year of operation.
4. The value of this concession includes Queensland Government funding only. The Australian Government also contributes towards the funding for this program.
5. This scheme was closed on 31 December 2021 to new applicants.
6. This item is part of the government response to COVID-19.

Primary Industry Productivity Enhancement Scheme (PIPES)

PIPES is administered by the Queensland Rural and Industry Development Authority (QRIDA) and provides concessional rates of interest on loans to eligible primary producers in need of financial assistance. First Start Loans and Sustainability Loans of up to $2 million and $1.3 million, respectively, support applicants to enter primary production and to improve productivity and sustainability.

The average concessional interest rate for new lending is 2.8 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 Relief Assistance Scheme

As part of the Drought Assistance and Reform Package, the Drought Relief Assistance Scheme provides freight subsidies of up to 50 per cent and emergency water infrastructure rebates of up to 50 per cent to eligible applicants, up to a maximum of between $20,000 and $50,000 per property, per financial year. These concessions are only available to currently drought declared 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 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 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 5.21 per cent per annum and an average concessional interest rate for new lending of 2.7 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 5.21 per cent per annum and an average concessional interest rate for new lending of 2.7 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 5.21 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.

#pickqld bonus (formally Back to Work in Agriculture Incentive Scheme)

The #pickqld bonus scheme was designed to meet short-term labour shortage demands in agriculture, with payments of up to $1,500 to encourage eligible workers to take up a job in agriculture. The incentive payment was provided to new workers to help fill the urgent and immediate agriculture workforce shortfall to deliver food security and maintain industry viability. This measure ceased in 2021–22.

Business Counselling

Free and confidential small and rural business financial counselling is provided to assist business owners who are experiencing or at risk of financial hardship due to the impacts of COVID-19 on their business. The support assists clients to better understand their financial position, access financial assistance, identify long-term recovery options, implement plans and access broader professional advice and support. The service is run through the Rural Financial Counselling Services in Queensland. On average, a benefit of approximately $950 is received in financial counselling services per client. This measure ceased in 2021–22 and is replaced by Small Business and Tourism Financial Counselling Programs which are the responsibility of the Department of Employment, Small Business and Training and the Department of Tourism, Innovation and Sport.

Table A.2.2 Department of Communities, Housing and Digital Economy

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Government Managed Housing Rental Rebate[1]	486.0	541.3
Home Assist Secure	22.9	23.2
National Rental Affordability Scheme[2]	26.6	20.3
Queensland Museum – Arts Concessional Entry Fee[3]	2.0	2.7
Rental Bond Loans[4]	1.0	1.2
Queensland Performing Arts Trust – Arts Concessional Entry Fees	1.0	1.0
Arts Queensland – Discount on Property Lease Rentals[5]	0.6	0.8
Queensland Performing Arts Trust – Venue Hire Rebates	0.5	0.5
Arts Queensland – Venue Hire Rebates	0.4	0.4
Queensland Art Gallery – Arts Concessional Entry Fees[6]	0.5	0.4
State Library of Queensland – Venue Hire Rebates	0.3	0.3
COVID-19 Relief – Queensland Museum – Additional Concessions[7]	0.1	..
Non-government Managed Housing[8]	..	..
Total	**541.9**	**592.1**

Notes:

1. The increase is due to an increase in private market rents based on prevailing conditions.
2. 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.
3. The increase is due to higher visitation being expected due to reopening of venues and increased patronage.
4. The increase is primarily due to an increase in bond loans paid in 2022–23.
5. The increase is primarily due to reopening of venues and increased leasing space following revitalisation works.
6. The variance is due to concessional entry fees which varies depending on the number and nature of ticketed exhibitions in the year.
7. This item is part of the government response to COVID-19.
8. The value of this concession arrangement cannot be easily quantified.

Government Managed Housing Rental Rebate

The Government Managed Housing Rental Rebate targets low-income families and individuals and represents the difference between the estimated rents that would be payable in the private market and rent that is charged by government based on household income.

Assistance is provided to approximately 54,700 households. The estimated average yearly subsidy per household for 2022–23 is $9,895.

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 2022–23, 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 2022–23, the government has allocated $20.3 million for the payment of financial incentives to NRAS investors who are then required to discount rents to tenants.

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.

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:

1. Bond Loans: equivalent to a maximum amount of 4 weeks rent, or
2. 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 2022–23, $30.7 million in Bond Loans and Bond Loan Plus may be advanced to an estimated 25,000 clients.

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.

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.

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.

State Library of Queensland – Venue Hire Rebates

State Library of Queensland provides venue hire concessions to targeted community and non-profit groups including cultural and charitable organisations and educational institutions in order to support events and programs directly linked to State Library of Queensland's services, programs, and activities.

COVID-19 Relief – Queensland Museum – Additional Concessions

Additional relief was provided where business hardship due to COVID-19 was proven. This concession has now ceased for 2022–23.

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 per cent and 30 per cent of a household's assessable income or the market rent, whichever is lower, which substantially reduces accommodation costs for eligible individuals and families. Many of these families may also be eligible for Commonwealth Rent Assistance to assist in the cost of their accommodation.

Table A.2.3 Department of Education

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Textbook and Resource Allowance[1]	72.6	76.4
School Transport Assistance for Students with Disability[2]	45.7	49.3
Living Away from Home Allowance Scheme	8.1	8.1
Tuition Fee Exemptions/Waivers – Dependants of International Students[3]	7.4	7.5
Non-State Schools Transport Assistance Scheme[4]	6.5	7.1
Dalby State High School – Bunya Campus Residential Facility	2.6	2.6
Western Cape Student Residential College, Weipa	1.3	1.3
Spinifex State College – Mount Isa Student Residential Facility	1.2	1.2
Distance Education – Information and Communication Technology Subsidy Scheme	1.1	1.1
Distance Education – Non-Government Student Fee Subsidy[5]	0.8	0.7
Total	**147.3**	**155.3**

Notes:

1. The increase is due to enrolment growth and CPI indexation.
2. The increase reflects revised rates and increases in fuel costs.
3. The increase is due to CPI indexation.
4. The increase is due to CPI indexation and increased demand for assistance under the scheme.
5. The variance is due to a higher number of students utilising the service in 2021–22.

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 2022, the rates per annum are $136 for students in Years 7 to 10 and $295 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 2022 are:

- Remote Area Tuition Allowance – assistance is available for primary students of up to $4,063 per annum and secondary students of up to $5,849 per annum for students who board at approved non-state schools
- 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 $153 per annum to a maximum of $1,874 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 $8,309 per student, per annum
- Remote Area Allowance – assistance of $2,554 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.

Tuition Fee Exemptions/Waivers – Dependants of International Students

International students who meet the approved exemption criteria and wish to enrol their child in Preparatory (Prep) Year to Year 12 of schooling are exempt from paying dependant tuition fees. The exemption only applies for the duration of the main temporary visa holder's (parent) course of study in Queensland. A dependant student (Prep to Year 12) of a temporary visa holder may also be eligible for a tuition fee waiver in certain circumstances, including financial hardship.

The estimated average amount exempted or waived per student is $11,124 for the 2022–23 financial year.

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 2022, the weekly threshold is $45 per family, or $35 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 particularly targets secondary school students from rural and remote communities; however, any secondary age student is eligible. Students accommodated at the residential facility are enrolled at Dalby State High School and participate in agricultural education programs.

Western Cape Student Residential College, Weipa

The Western Cape College – 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.

Spinifex State College – Mount Isa Student Residential Facility

The Spinifex State College – Mount Isa Student Residential Facility provides an affordable residential facility in Mount Isa for students from the North Western area of the state whose home community does not provide secondary schooling. The funding meets the cost of wages for the residential college, increasing the affordability of the accommodation rates charged to students.

Distance Education – Information and Communication Technology Subsidy Scheme

The Distance Education – Information and Communication Technology Subsidy Scheme provides assistance to students enrolled in a school of distance education that are geographically isolated or in the medical category.

The scheme provides $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

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 $1,472 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 Employment, Small Business and Training

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
User Choice – Apprentice and Trainee Training Subsidy[1]	210.2	245.7
Vocation Education and Training (VET) – Certificate 3 Guarantee Tuition Fee Subsidy[1]	216.3	201.2
VET – Higher Level Skills Tuition Fee Subsidy[1]	75.0	65.0
Travel and Accommodation Subsidy	3.0	3.0
Total	**504.5**	**514.9**

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 $1,200 to $50,720, depending on student eligibility and qualification subsidised. The average subsidy value is $10,239.

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 3 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 3 qualifications).

The value of this subsidy for each qualification ranges from $480 to $6,780, depending on student eligibility and qualification subsidised. The average subsidy value is $3,173.

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 $1,200 to $10,566, depending on student eligibility and qualification subsidised. The average subsidy value is $4,514.

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 if necessary
- cost of ferry travel if necessary
- accommodation assistance of $30 per day for overnight stay within Queensland and $72 for interstate travellers, if it is necessary to live away from their usual place of residence to attend training.

Table A.2.5 Department of Energy and Public Works

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Uniform Tariff Policy – Energy Queensland (Excluding Isolated Systems)[1]	459.3	568.6
Uniform Tariff Policy – Energy Queensland (Isolated Systems)[2]	65.3	66.6
Drought Relief from Electricity Charge Scheme[3]	15.0	15.0
Electricity Tariff Adjustment Scheme[4]	9.1	7.7
Non-residential Buildings – Subsidised Rents	6.1	6.0
Uniform Tariff Policy – Origin Energy[5]	3.0	3.3
Affordable Energy Plan – Business Energy Savers Program[6]	1.4	..
Total	**559.2**	**667.2**

Notes:

1. The increase is due to network prices reducing in South East Queensland and increasing in regional Queensland. This is caused by the amounts of regulated revenue collected by Energex and Ergon Energy differing to their forecasts in 2020–21, due to the challenges in forecasting the impact of COVID-19 in that year.
2. The increase is a result of fuel cost increases offsetting expected reductions from asset write-downs in previous years.
3. Expenditure is dependent on the extent of drought conditions, the number of registered eligible parties in drought declared areas and customers seeking a rebate for fixed charges of their electricity accounts.
4. This was a new initiative for 2021–22 targeted to 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.
5. The increase is due to regulated tariffs in regional Queensland increasing relative to prices in regional New South Wales.
6. This program ended in 2021–22.

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 live. As the notified prices do not reflect the full cost of electricity supply for most remote and regional 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.

Drought Relief from Electricity Charge Scheme

The 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.

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.

Non-residential Buildings – Subsidised Rents

Accommodation is provided to 34 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 23 properties comprising a total floor area of approximately 30,727m^2. 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.

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 nonmarket 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.

Affordable Energy Plan – Business Energy Savers Program

The Business Energy Savers Program was an initiative under the Affordable Energy Plan that provided free energy audits for agricultural customers and large business customers, and co-contributions to fund energy efficiency upgrades. It included an extension of the existing Energy Savers Plus Program (for agricultural businesses) and the Large Customer Adjustment Program (for large electricity users).

Under the expanded Energy Savers Plus Program, 180 audits for agricultural customers were completed. Co-contribution grants of up to $20,000 were made available to assist businesses in implementing the recommendations for the audit. The free energy audits identified up to $3 million in annual energy saving opportunities for a range of farming businesses.

The Large Customer Adjustment Program (and preceding Trial) completed 21 audits of large customers and contributed up to 50 per cent of implementation costs to eligible customers to help them implement audit recommendations. The free energy audits identified up to $1.3 million in annual energy saving opportunities for a range of farming businesses.

Table A.2.6 Department of Environment and Science

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Queensland Parks and Wildlife Service – Tour Fee and Access Permits[1]	2.1	1.7
COVID-19 Relief – Queensland Parks and Wildlife Service – Fee Relief to Commercial Tour Operators[2]	1.0	..
COVID-19 Relief – Queensland Parks and Wildlife Service – Waiver of Commercial Whale Watching Operator Fees[2]	0.1	..
Total	**3.2**	**1.7**

Notes:
1. The variance is primarily due to additional discounts for visitor entrance fees for the David Fleay Wildlife Park, which were temporarily offered in 2021–22 whilst site redevelopment works were undertaken.
2. This item is part of the government response to COVID-19.

Queensland Parks and Wildlife Service – Tour Fee and Access Permits

Admission and ranger guided tour fee concessions are available at several attractions for children, pensioners and educational purposes. Vehicle access permit concessions are available in the Cooloola Recreation Area, Bribie, Moreton (Mulgumpin) and K'gari (Fraser) Islands. Camping concessions are available in all National Park and State Forest camping areas for educational purposes and children under 5 years of age.

COVID-19 Relief – Queensland Parks and Wildlife Service – Fee Relief to Commercial Tour Operators

The Queensland Government is assisting Queensland tourism through waiving of daily activity and passenger fees for commercial tour operators operating in Protected Areas and State Forests to June 2022.

COVID-19 Relief – Queensland Parks and Wildlife Service – Waiver of Commercial Whale Watching Operator Fees

The Queensland Government is supporting tourism operators impacted by COVID-19 through waiving of annual Commercial Whale Watching Fees for the 2021 season.

Table A.2.7 Department of Justice and Attorney-General

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Public Trustee of Queensland – Concessions	41.3	42.6
Court Services – Civil Court	29.5	30.2
Queensland Civil and Administrative Tribunal	26.6	27.2
Blue Card – Volunteer Applicants	10.6	11.0
Body Corporate and Community Management – Dispute Resolution	2.7	3.4
Liquor Gaming and Fair Trading – Rural Hotel Concessions	0.4	0.4
Registry of Births, Deaths and Marriages – Fee Waivers	0.1	0.2
Liquor Gaming and Fair Trading – License Fees[1]	21.3	..
Liquor Gaming and Fair Trading – Fee Waivers[1]	0.1	..
Total	**132.6**	**115.0**

Note:
1. This item is part of the government response to COVID-19.

Public Trustee of Queensland – Concessions

The Public Trustee of Queensland (the Public Trustee) is a self-funded organisation and uses a scale of fees which is designed to reflect a fair cost for the services provided.

The Public Trustee has established a safety net limit on the annual fees payable by certain 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 seek some other remedy. These disputes may involve anything from defamation to outstanding debts. Civil Court Fees are prescribed under the *Uniform Civil Procedure (Fees) Regulation 2009* for proceedings commenced in civil matters and are set below full cost recovery to ensure that civil remedies are accessible to all Queenslanders.

Queensland Civil and Administrative Tribunal

The Queensland Civil and Administrative Tribunal (QCAT) is an independent tribunal which makes decisions and resolves disputes across a wide range of jurisdictions for the community. Fees for these services are set below cost recovery to ensure services are accessible, fair and inexpensive. QCAT provides human rights services with no application fees for matters in guardianship and administration of adults, children and young people and anti-discrimination.

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. Indigenous, homeless, domestic and family violence victims, etc.) and those impacted by major emergencies (e.g. natural disasters such as cyclones and bushfires).

Liquor Gaming and Fair Trading – License Fees

The *Liquor Regulation 2002* and the *Wine Regulation 2009* were amended to waive liquor and wine licence fees for the 2020–21 and 2021–22 licence period and ceases thereafter.

Liquor Gaming and Fair Trading – Fee Waivers

In response to COVID-19 and international border closures, a waiver of renewal fees for inbound tourism operations where their business solely involves arranging/selling holiday packages to foreign tourists was provided. This fee waiver will cease on 30 June 2022.

Table A.2.8 Department of Regional Development, Manufacturing and Water

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Sunwater Rural Irrigation Water Price Subsidy[1]	20.1	17.7
Horticulture Rural Irrigation Water Price Rebate Administered by the Queensland Rural and Industry Development Authority[2]	5.4	9.9
Cloncurry Pipeline Water Supply Subsidy[3]	6.3	6.6
Seqwater Rural Irrigation Water Price Subsidy	2.2	2.1
Water Licence Fee Waiver[4]	0.9	1.5
Disaster relief arrangements - Annual Water Licence Fee Waiver[5]	0.5	0.5
Total	**35.4**	**38.3**

Notes:
1. The variance is due to prices paid by rural irrigation customers which gradually transition towards cost recovery.
2. The increase is due to an expected increase in the number of applications.
3. The increase is due to indexation and increased insurance costs.
4. The increase is to allow for a potential return to drier conditions which may lead to increased fee waivers.
5. New item for the 2022–23 Concessions Statement (not COVID-19-related).

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 increases in water prices paid by rural irrigation customers to recover costs are gradual.

For 3 years from 2021–22 Sunwater will also receive funding to implement a 15 per cent discount on Sunwater irrigation prices. This discount increases to 50 per cent for horticulture irrigation, with the balance of the discount delivered through a 35 per cent rebate administered by the Queensland Rural and Industry Development Authority (QRIDA).

Horticulture Rural Irrigation Water Price Rebate administered by the Queensland Rural and Industry Development Authority

Payments to QRIDA to deliver an additional 35 per cent rebate on Sunwater and Seqwater irrigation water prices related to horticulture production for 3 years from 2021–22, 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 long-term water supply and supports industrial development in the region. The government provides funding to NWQWP to ensure the pipeline remains commercially viable to operate while providing an affordable and safe water supply to Cloncurry.

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 increases in water prices paid by rural irrigation customers to recover costs are gradual.

For 3 years from 2021–22 Seqwater will also receive funding to implement a 15 per cent discount on Seqwater irrigation prices. This discount increases to 50 per cent for horticulture irrigation, with the balance of the discount delivered through a 35 per cent rebate administered by the QRIDA.

Water Licence Fee Waiver

As part of the Drought Assistance and Reform Package, fees associated with an annual water licence invoice and applications for stock or domestic water licences will be waived for 2022–2023. The waiver is available to primary producers in drought declared areas and those who have an individually droughted property.

Disaster Relief Arrangements – Annual Water License Fee Waiver

Fees associated with annual water licences will be waived for 2022–23 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.

Table A.2.9 Department of Resources

Concession	2021–22 Est. Act. $ million	2022–23 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 rent 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 Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Electricity Asset Ownership Dividend and Cost of Living Rebate[1]	100.0	385.0
Electricity Rebate Scheme[2]	225.0	243.0
Pensioner Rate Subsidy Scheme	57.4	58.6
South East Queensland Pensioner Water Subsidy Scheme	19.7	20.1
Home Energy Emergency Assistance Scheme	10.0	10.0
Medical Cooling and Heating Electricity Concession Scheme[2]	2.4	2.9
Reticulated Natural Gas Rebate Scheme	2.6	2.7
Electricity Life Support Concession Scheme[2]	2.5	2.7
Electricity Rebate – COVID-19 – Residential Household Utility Assistance Package & Small / Medium Business Power Bill Relief Package[3]	0.6	..
Total	**420.2**	**725.0**

Notes:

1. The increase is due to a $175 Cost of Living Rebate being provided in 2022–23, compared to the $50 Electricity Asset Ownership Dividend rebate administered in 2021–22.
2. Electricity rebates are adjusted annually according to the Queensland Competition Authority's (QCA) price determination for general household electricity tariff (Tariff 11). For 2022–23, the QCA determined Tariff 11 will increase by 9.2 per cent.
3. This item is part of the government response to COVID-19.

Electricity Asset Ownership Dividend and Cost of Living Rebate

In 2022–23, the Queensland Government has allocated $385 million to provide Queensland households with a Cost of Living Rebate of $175. This Cost of Living Rebate will be the sixth rebate provided through electricity bills since 2017–18 and will be credited on customers' bills from September 2022, depending on individual billing cycles.

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.

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 $372 per annum for eligible concession card holders with a medical condition who have dependence on air conditioning to regulate body temperature.

Reticulated Natural Gas Rebate Scheme

The Reticulated Natural Gas Rebate Scheme provides a rebate of up to approximately $81 per annum to assist with the cost of reticulated natural gas supplied to the home of eligible holders of a Pensioner Concession Card, Queensland Seniors Card or a Department of Veterans' Affairs Gold Card (who receive the War Widow/er Pension or special rate Totally or Permanently Incapacitated Pension).

Electricity Life Support Concession Scheme

The Electricity Life Support Concession Scheme is aimed at assisting seriously ill people who use home based life support systems by providing a rebate of up to approximately $758 per annum for users of oxygen concentrators and a rebate of up to approximately $508 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.

Electricity Rebate – COVID-19 – Residential Household Utility Assistance Package & Small / Medium Business Power Bill Relief Package

Electricity Rebates provided as a COVID-19 response initiative during the pandemic have included a $200 rebate for residential household relief and a $500 rebate for small to medium enterprises. Funding in 2021–22 of $633,000 has been provided to continue payments for late applicants to the scheme.

Table A.2.11 Department of Tourism, Innovation and Sport

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Queensland Recreation Centres - Concessional Usage Rates	1.6	1.6
Total	**1.6**	**1.6**

Queensland Recreation Centres – Concessional Usage Rates

Concessional usage rates are offered to clients who meet the strategic objectives of the *Activate! Queensland Strategy*, including not-for-profit sport and recreation organisations, Queensland schools and Queensland state sporting organisations, for the use of Queensland Recreation Centres, at Currimundi and Tallebudgera.

Table A.2.12 Department of Transport and Main Roads

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
General Public Transport Concessions (South East Queensland)[1]	1,786.3	1,824.2
Rail Network and Infrastructure Funding	780.5	799.1
General Public Transport Concessions (Regional Queensland)[2]	280.0	315.5
Vehicle and Boat Registration Concessions	189.5	195.8
School Transport Assistance Scheme	144.8	153.9
TransLink Transport Concessions (South East Queensland)[3]	46.6	75.6
Livestock and Regional Freight Contracts	33.0	35.4
Rail Concession Scheme[4]	29.4	27.1
Other Transport Concessions (Regional Queensland) and Taxi Subsidies	23.0	24.0
Mount Isa Line Below Rail Subsidy	20.0	20.0
Designated Public Transport Concessions for Seniors Card Holders	4.1	4.1
Practical Driving Test	2.3	2.3
COVID-19 Relief Measures - Transport Services[5]	10.8	0.2
Total	**3,350.3**	**3,477.2**

Notes:

1. The increase is largely due to increased rail costs for Cross River Rail readiness and cleaning costs, offset by increased fare revenue from the expected return of patronage to the network.
2. The increase is due to an expected increase in patronage on TravelTrain, Local Fare Scheme and the new aviation contracts which commenced early 2022.
3. The increase is primarily due to the expectation of an increase in patronage in 2022–23.
4. The variance is due to the Citytrain rail concession being included in the TransLink Transport Concessions (South East Queensland), due to these concessions being included in the Rail Transport Service Contract from 2022–23.
5. 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 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

Registration concessions for light and heavy motor vehicles and recreational boats are provided to a range of groups, including holders of the Pensioner Concession Card, Queensland Seniors Card and to those assessed by the Department of Veterans' Affairs as meeting the necessary degree of incapacity or impairment. These concessions are aimed at improving access to travel for pensioners, seniors and persons with a disability by providing a reduced rate of registration fees. For most eligible card holders, a concession for a family 4-cylinder vehicle would reduce the 12-month registration fee from $348.70 to $174.35. For a recreational boat up to and including 4.5 metres in length, the concession reduces the registration charge from $94.15 to $47.05.

A Special Interest Vehicle (SIV) registration concession is offered for motor vehicles that have low use associated with vintage and historic and street rod car club events. A 12-month registration fee for a 6-cylinder SIV concession reduces from $552.10 to $98.25. A concession is also available for specific purposes such as water, mineral or oil exploration and bee keeping.

Eligible primary producers also receive registration concessions for their heavy vehicles, reducing their registration fees by 50 to 75 per cent. For example, a primary producer's 12-month registration fee for a two-axle truck with a Gross Vehicle Mass over 12 tonne reduces from $1,013.30 to $506.65. 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 assists students that do not have a school in their local area or who are from defined low income groups with travel costs. The scheme provides funding to reduce the cost of travelling to school on bus, rail and/or ferry services, with allowances for private vehicle transport in certain circumstances. A typical concession would be to fully fund the cost of travel from home to the nearest state primary or high school where no local primary or high school is available (for example, from Bargara to Bundaberg High School).

TransLink Transport Concessions (South East Queensland)

The TransLink Transport Concessions (South East Queensland) are provided by the government to ensure access and mobility for Queenslanders who require assistance because of age, disability or fixed low income. Passengers entitled to receive public transport concessions include holders of a Pensioner Concession Card, Veterans' Affairs Gold Card, Seniors Card (all states and territories), Companion Card, Vision Impairment Travel Pass, Total Permanent Incapacitated (TPI) Veteran Travel Pass, children, secondary and tertiary students, Newstart and Youth Allowance (Job Seeker) recipients, asylum seekers and White Card holders. Under 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, Newstart and Youth Allowance (Job Seeker) recipients, asylum seekers and White Card holders. The Taxi Subsidy Scheme aims to improve the mobility of persons with severe disabilities by providing a 50 per cent concession fare up to a maximum subsidy of $30 per trip.

Mount Isa Line Below Rail Subsidy

In recognition of the importance the Mount Isa Line plays in facilitating the transportation of freight from pit to port, from 2019–20, the Queensland Government is paying $20 million per annum to eligible freight users under the 4-year $80 million Mount Isa Line Incentive Scheme. This payment reduces below rail access costs to further promote rail for freight, as well as supporting continued development of the North West Minerals Province.

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.

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 ($62.80 (including GST) as at 1 July 2022), providing a direct concession to applicants.

COVID-19 Relief Measures – Transport Services

Transport services COVID-19 relief measures provided by the government include:

- financial assistance for the personalised transport industry
- waiving vehicle registration cancellation fees, number plate fees and, in most cases, the costs associated with vehicle inspections on re-registration
- funding assistance to support passenger transport aviation providers, ferry service operators and regional bus operators in Queensland to 30 June 2022.
- COVID-19 relief measures will be discontinued from early 2022–23.

Table A.2.13 Queensland Fire and Emergency Services

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Emergency Management Levy Concession	10.9	11.3
Total	**10.9**	**11.3**

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 and 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).

Table A.2.14 Queensland Health

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Oral Health Scheme[1]	175.2	180.7
Patient Travel Subsidy Scheme[2]	75.0	97.2
Medical Aids Subsidy Scheme[3]	23.2	29.5
Spectacle Supply Scheme	9.8	10.1
Hospital Car Parking Concession Scheme[4]	1.6	1.8
Total	**284.8**	**319.3**

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 2022–23 Federal Budget and will be the same as recent years.
2. The increase is due to a reduction in patient travel and access to the PTSS due to COVID-19 travel restrictions and an increase in telehealth appointments 2021–22.
3. The increase is due to lower than expected demand for MASS services in 2021–22.
4. 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 $600 for general care, $1,600 for treatment involving dentures, and $250 for emergency dental care. In rural and remote areas where no private dental practitioner exists, access to dental care for the general public is provided at a concessional rate, generally 15 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). A mileage subsidy of 30 cents per kilometre is paid where patients travel by private car. Accommodation subsidies are $60 per person, per night for the patient and approved escort if they stay in commercial accommodation, or a subsidy of $10 per person per night if staying with family or friends.

Medical Aids Subsidy Scheme

The Medical Aids Subsidy Scheme (MASS) provides access to subsidy funding assistance for the provision of a range of aids and equipment to eligible Queensland residents with permanent and established conditions or disabilities. Aids and equipment are provided primarily to assist people to live at home therefore avoiding premature or inappropriate residential care or hospitalisation.

Subsidies vary based on service category and clinical criteria and are provided to assist with the costs of communication aids, continence aids, daily living aids, medical grade footwear, mobility aids, orthoses and oxygen. Actual expenditure for 2021–22 reflects the continued impact of COVID-19 since 2020–21.

Based on demand in 2020–21 and current applications, the scheme is estimated to provide 52,000 occasions of service to approximately 40,000 clients in 2021–22. As COVID-19 restrictions continue to wind down, the scheme is estimated to provide approximately 63,000 occasions of service for 44,000 clients in 2022–23.

Spectacle Supply Scheme

The Spectacle Supply Scheme (SSS) provides eligible Queensland residents with free access to a comprehensive range of basic spectacles every 2 years including bifocals and trifocals. Applicants must be holders of eligible concession cards and be deemed by a prescriber to have a clinical need for spectacles. The SSS provides around 90,000 items each year to approximately 70,000 clients (some clients require more than one pair of spectacles due to clinical need). The average cost of services provided to applicants is approximately $122 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 (HHSs) to provide affordable car parking for eligible patients and their carers at 14 Queensland public hospitals with paid parking. Car parking concessions are available to eligible patients and their carers who attend hospital frequently or for an extended period of time; patients and their carers with special needs who require assistance; and patients and carers experiencing financial hardship. The scheme provides access to discounted parking with an average discount of approximately 54 per cent of the commercial cost of parking.

Actual expenditure for 2021–22 reflects the continued impact of COVID-19 since 2020–21. Based on demand in 2020–21 and current applications, the scheme will provide approximately 52,000 occasions of service to approximately 40,000 clients in 2021–22. In 2022–23, approximately 350,000 patients and carers will benefit from the scheme receiving access to over 500,000 concessions.

A.3 Concessions by government-owned corporation

Table A.3.1 Energy Queensland Limited

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Regulated Service Charges – Ergon Energy	14.7	14.9
Regulated Service Charges – Energex	13.0	13.6
Total	**27.7**	**28.5**

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 Gladstone Ports Corporation Limited

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Concessional Port Charges	36.6	40.5
Total	**36.6**	**40.5**

Concessional Port Charges

The Gladstone Ports Corporation Limited (GPC) is subject to a number of long-term major industry contracts where port charges are significantly lower than market rates. These historical contracts were entered into to support various industries and government initiatives from time to time. The amounts shown are estimates of the revenue foregone by GPC as a result of being unable to charge commercial rates.

Table A.3.3 Sunwater Limited

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Water Supply Contracts	50.4	52.5
Total	**50.4**	**52.5**

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.3.4 Concessional Leases by Entity (Industry, Commercial and Community)

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Port of Townsville Limited	6.3	6.5
Gladstone Ports Corporation Limited	3.0	3.0
Queensland Rail Limited	2.1	2.2
Far North Queensland Ports Corporation Limited	1.9	1.9
North Queensland Bulk Ports Corporation Limited	1.6	1.6
Total	**14.9**	**15.2**

Concessional Leases (Industry, Commercial and Community)

The above government-owned corporation entities provide leases to various community organisations, local councils, government departments and industry participants at below commercial rates. The amounts shown are estimates of the revenue foregone by not charging commercial rates.

Table A.3.5 COVID-19-Related Measures by Entity

Concession	2021–22 Est. Act. $ million	2022–23 Estimate $ million
Far North Queensland Ports Corporation Limited	1.7	1.5
Gladstone Ports Corporation Limited	0.1	..
Total	**1.8**	**1.5**

COVID-19-Related Measures (Industry, Commercial and Community)

As part of the Queensland Government's COVID-19 response, the above government-owned businesses provided relief measures to support community organisations and businesses adversely affected by COVID-19.

Relief measures include temporary reductions to commercial leases, fees and other charges. The amounts shown are estimates of the revenue foregone by not charging commercial rates. To be included in the above table, concessions must meet the minimum materiality threshold of estimated revenue foregone of $50,000.

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 has been significant and the Queensland Government moved quickly to introduce substantial tax relief measures to support Queensland businesses, particularly small and 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 has resulted in a significant increase in forgone revenue, most notably in 2019–20, although some measures continue to impact in 2020–21 and 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 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 2020–21 and 2021–22 for payroll tax, land tax, duties, the waste disposal levy and gambling taxes. A summary of the major tax expenditures valued on the basis of revenue 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.1 Tax expenditure summary[1]

	2020–21[2] $ million	2021–22 $ million
Payroll tax		
Exemption threshold	961	1,102
Graduated tax scale	43	49
Deduction scheme	440	505
Regional discount	99	113
COVID-19 relief[3]	248	4
Section 14 exemptions		
Local government	169	194
Education	211	242
Hospitals (excluding public hospitals)	64	74
Charities	364	418
Apprentice and trainee exemption	68	78
Apprentice and trainee rebate	32	37
Employee growth rebate	13	19
Total payroll tax	**2,712**	**2,834**
Land tax		
Liability threshold[4]	830	848
Graduated land tax scale	1,484	1,592
Principal place of residence exemption	327	337
Primary production exemption	137	168
Part 6 Divisions 2 and 3 exemptions (not included elsewhere)[5]	155	155
Land developers' concession	20	8
COVID-19 relief[3]	63	1
Total land tax	**3,015**	**3,110**

Duties		
Transfer duty		
Home concession	535	602
First home concession	289	251
First home vacant land	63	23
AFAD exemption/ex gratia	8	11
Insurance duty		
WorkCover	71	79
Health insurance	495	521
Compulsory third party (CTP)[6]	89	88
Total duties	**1,548**	**1,574**
Queensland waste levy		
Exempt waste – general	129	97
Approved exemptions	88	94
Approved discounts	14	8
Total waste levy	**231**	**199**
Taxes on gambling		
Gaming machine taxes	125	127
Casino taxes	10	11
Total gambling tax	**135**	**138**
Total	**7,641**	**7,855**

Notes:

1. Numbers may not add due to rounding.
2. 2020–21 estimates may have been revised since the 2021–22 Queensland Budget.
3. The expense in 2020–21 predominantly related to substantial support provided through waivers and exemptions. A further 'cashflow benefit' was provided through deferrals, 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. Land tax is payable only on the value of taxable land above a threshold, depending on ownership structure.
5. Applicable, but not limited to; religious bodies, public benevolent institutions, and other exempt charitable institutions.
6. 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 2021 average weekly adult total earnings, the new threshold corresponded to businesses with payrolls equivalent to employing approximately 15 full-time equivalent employees. This exemption is designed to assist small and medium sized businesses.

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

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. (Note: as announced in this Budget, from 1 January 2023 the phase out of the deduction will be changed to $1 for every $7 by which the annual payroll exceeds $1.3 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 forgone revenue in 2020–21 and 2021–22. The specific support measures that impacted revenues in those 2 years include:

- exemption from payroll tax of the subsidised component of the Australian Government's JobKeeper payment
- the deferral of payroll tax liabilities from the 2020 calendar year over 4 payments ending in January 2022
- a 2-month payroll tax waiver for small businesses
- a 6 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.

Employment growth rebate

For 2019–20 and 2020–21, a payroll tax rebate of up to $20,000 was available to eligible employers who demonstrated a net employment increase in the number of new Queensland full-time positions over a full financial year. The rebates were calculated as part of annual returns due in July of each year, with the 2019–20 rebate reflected as a tax expenditure in 2020–21.

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 owners: 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 included elsewhere)

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 25 per cent rebate on the 2020–21 land tax liability was available to eligible land owners that provided commensurate rent relief to COVID-19 impacted tenants, or that are unable to secure tenants due to COVID-19
- A 3-month deferral of 2020–21 land tax liability was automatically granted.

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. The levy rate was $85 per tonne from July 2021 to June 2022 (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. 70 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 2022–23 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 almost unprecedented uncertainty in global and national economic conditions and key economic parameters in the context of the COVID-19 pandemic, as well as other recent global and domestic developments that have impacted key revenues.

The forward estimates in the 2022–23 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.1 Taxation and royalty revenue[1]

	2020–21 Actual $ million	2021–22 Est. Act. $ million	2022–23 Budget $ million	2023–24 Projection $ million	2024–25 Projection $ million	2025–26 Projection $ million
Payroll tax	4,166	4,957	5,242	5,766	6,022	6,289
Transfer duty	3,954	6,028	4,722	4,442	4,757	5,233
Other duties	1,788	1,966	1,989	2,074	2,162	2,249
Gambling taxes and levies	1,586	1,589	1,646	1,752	1,810	1,879
Land tax	1,524	1,603	1,773	2,019	2,268	2,365
Motor vehicle registration	2,011	2,074	2,152	2,232	2,315	2,401
Other taxes	1,220	1,283	1,318	1,416	1,450	1,489
Total taxation revenue	**16,249**	**19,500**	**18,842**	**19,700**	**20,785**	**21,905**
Royalties						
Coal	1,740	7,290	5,480	3,297	3,539	3,699
Petroleum[2]	298	1,185	1,626	1,116	1,025	996
Other royalties[3]	499	483	538	505	488	494
Land rents	126	176	190	193	198	203
Total royalties and land rents	**2,662**	**9,135**	**7,832**	**5,112**	**5,251**	**5,392**

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 2022–23, wages in Queensland are forecast to increase by 3½ per cent, while employment is forecast to rise 3 per cent in 2022–23.

The composition of the payroll tax base is also important as businesses in sectors such as tourism, retail and hospitality are often outside the tax base because they are below a threshold.

A one percentage point variation in either Queensland wages growth or employment would change payroll tax collections by approximately $52 million in 2022–23.

Transfer duty estimates

Transfer duty collections in 2022–23 are expected to decrease by 21.7 per cent compared with 2021–22 estimated actuals and by a further 5.9 per cent in 2023–24. This is primarily because turnover is expected to decline from the currently high levels.

After moderating in the near term, transfer duty from the non-residential sector is forecast to grow steadily over the forward estimates, supporting a return to overall transfer duty growth in 2024–25 and 2025–26.

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 $47 million in 2022–23.

Royalty assumptions and revenue risks

Table C.2 below provides the 2022–23 Budget assumptions regarding coal royalties, which represent the bulk of Queensland's royalty revenue.

Table C.2 Coal royalty assumptions

	2020–21 Actual	2021–22 Est. Act.	2022–23 Budget	2023–24 Projection	2024–25 Projection	2025–26 Projection
Tonnages - crown export[1] coal (Mt)	193	187	196	209	222	231
Exchange rate US$ per A$[2]	0.75	0.73	0.74	0.75	0.75	0.75
Year average coal prices (US$ per tonne)[3]						
Hard coking	117	364	206	160	160	160
Semi-soft	95	252	148	123	123	123
Thermal	69	140	128	90	90	90
Year average oil price						
Brent (US$ per barrel)[4]	41	77	96	78	75	75

Notes:
1. Excludes coal produced for domestic consumption and where royalties are not paid to the government (private royalties). The 2022–23 estimated domestic coal volume is approximately 24.4 Mt and private coal is 5.2 Mt.
2. Year-average.
3. Estimated year-average contract prices for highest quality coking and thermal coal. Lower quality coal can be sold below this price with indicative average prices for 2022–23 as follows: hard coking US$177/t and thermal US$118/t.
4. 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.

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 2022–23, the impact on royalty revenue would be approximately $145 million.

A one per cent variation in export coking and thermal coal volumes would lead to a change in royalty revenue of approximately $54 million. A one million tonne (Mt) variation would lead to a change in royalty revenue of approximately $27 million.

A one per cent variation in the average price of export coal would lead to a change in royalty revenue of approximately $107 million.

[1] Sensitivities represent the estimated change to royalty revenue accruing over the 2022–23 return period.

Parameters influencing Australian Government GST payments to Queensland

The 2022–23 Budget incorporates estimates of GST revenue grants to Queensland based on 2022–23 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 2022–23 Budget and forward estimates reflect growth in full-time equivalent public sector employees and wage increases consistent with existing agreements, the government's wages policy, and expectations of future bargaining agreements where outcomes are yet to be finalised. A one percentage point increase in wage rates above expectation would increase employee expenses by around $300 million per annum.

Interest rates

The General Government Sector has a total debt servicing cost forecast at $1.826 billion in 2022–23. The current average duration of General Government Sector borrowing with the Queensland Treasury Corporation (QTC) is 6.6 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 2022–23 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

	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025-26
	Actual[1]	Actual[1]	Actual[1]	Actual[1]	Actual[1]	Actual[1]	Actual[1]	Est. Act.	Budget	Projection	Projection	Projection
	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million	$ million
General Government												
Total revenue	49,970	50,780	56,194	58,087	59,828	57,778	62,732	72,735	73,886	75,034	76,728	78,019
Tax revenue	12,598	12,547	12,919	13,244	14,165	14,585	16,249	19,500	18,842	19,700	20,785	21,905
Total expenses	49,551	50,112	53,369	56,337	58,843	63,505	63,669	70,820	74,915	76,116	76,591	77,836
Employee expenses	18,592	20,045	21,258	22,681	24,019	25,662	26,501	27,931	30,076	31,253	32,665	33,657
Net operating balance	420	668	2,825	1,750	985	(5,728)	(937)	1,915	(1,029)	(1,083)	137	183
Capital purchases	4,635	4,044	4,620	5,126	5,764	6,306	6,835	7,533	8,478	9,106	9,439	9,264
Net capital purchases	996	1,163	2,265	2,337	3,192	3,436	4,078	4,302	4,606	4,548	5,145	4,151
Fiscal balance	(576)	(495)	560	(587)	(2,207)	(9,164)	(5,015)	(2,386)	(5,635)	(5,631)	(5,008)	(3,969)
Borrowing with QTC	41,343	34,200	31,358	29,256	29,468	37,570	46,153	50,451	58,853	66,415	73,338	80,622
Leases and similar arrangements[2]	1,761	1,286	1,882	2,142	2,612	6,485	7,704	7,544	7,385	7,589	7,544	6,442
Securities and derivatives	(0)	(0)	(0)	122	121	198	220	220	220	220	220	220
Net debt	5,749	654	(355)	(509)	(198)	14,036	11,360	11,390	19,772	27,603	33,667	39,214
Non-financial Public Sector												
Total revenue	56,178	57,393	64,855	66,164	68,329	66,171	71,228	82,027	82,066	83,600	85,572	87,161
Capital purchases	7,811	6,852	7,291	7,643	8,460	9,482	10,007	10,588	11,812	12,131	12,705	12,802
Borrowing with QTC	73,256	71,160	69,107	66,964	67,576	76,464	85,901	92,599	100,553	107,847	114,632	121,533
Leases and similar arrangements[2]	1,802	1,316	1,882	2,142	2,612	6,977	8,158	7,898	7,711	8,076	7,975	6,812
Securities and derivatives	175	446	895	405	720	1,503	1,567	6,277	2,521	795	352	251

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.

	2014–15 Actual[1]	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 Est. Act.	2022–23 Budget	2023–24 Projection	2024–25 Projection	2025-26 Projection
	%	%	%	%	%	%	%	%	%	%	%	%
General Government												
Revenue/GSP	17.0	16.9	17.1	16.6	16.3	16.0	17.1	16.3	16.2	16.8	16.5	15.9
Tax/GSP	4.3	4.2	3.9	3.8	3.9	4.0	4.4	4.4	4.1	4.4	4.5	4.5
Own source revenue/GSP	9.0	9.0	8.8	8.6	8.6	8.3	8.1	8.8	8.5	8.3	8.3	8.0
Expenses/GSP	16.8	16.6	16.3	16.1	16.1	17.6	17.4	15.9	16.4	17.0	16.4	15.9
Employee expenses/GSP	6.3	6.7	6.5	6.5	6.6	7.1	7.2	6.3	6.6	7.0	7.0	6.9
Net operating balance/GSP	0.1	0.2	0.9	0.5	0.3	(1.6)	(0.3)	0.4	(0.2)	(0.2)	0.0	0.0
Capital purchases/GSP	1.6	1.3	1.4	1.5	1.6	1.7	1.9	1.7	1.9	2.0	2.0	1.9
Net cash inflows from operating activities/net cash flows from investments in non-financial assets	97.5	122.9	134.2	107.0	105.5	(2.5)	3.3	118.0	18.5	26.9	44.1	49.9
Fiscal balance/GSP	(0.2)	(0.2)	0.2	(0.2)	(0.6)	(2.5)	(1.4)	(0.5)	(1.2)	(1.3)	(1.1)	(0.8)
Total borrowings/GSP	14.7	11.8	10.1	9.0	8.8	12.2	14.8	13.0	14.6	16.6	17.4	17.8
Total Borrowings/revenue	86.3	69.9	59.2	54.3	53.8	76.6	86.2	80.0	89.9	98.9	105.7	111.9
Lease and other liabilities/revenue	3.5	2.5	3.3	3.7	4.4	11.2	12.3	10.4	10.0	10.1	9.8	8.3
Net debt/revenue	11.5	1.3	(0.6)	(0.9)	(0.3)	24.3	18.1	15.7	26.8	36.8	43.9	50.3
Revenue growth	7.0	1.6	10.7	3.4	3.0	(3.4)	8.6	15.9	1.6	1.6	2.3	1.7
Tax growth	6.4	(0.4)	3.0	2.5	7.0	3.0	11.4	20.0	(3.4)	4.6	5.5	5.4
Expenses growth	7.2	1.1	6.5	5.6	4.4	7.9	0.3	11.2	5.8	1.6	0.6	1.6
Employee expenses growth	4.4	7.8	6.1	6.7	5.9	6.8	3.3	5.4	7.7	3.9	4.5	3.0
Non-financial Public Sector												
Capital purchases/GSP	2.7	2.3	2.2	2.2	2.3	2.6	2.7	2.4	2.6	2.7	2.7	2.6
Total borrowings/GSP	25.6	24.2	21.9	19.9	19.4	23.5	26.1	23.9	24.3	26.1	26.4	26.3
Total Borrowings/revenue	133.9	127.1	110.8	105.1	103.8	128.4	134.3	130.2	135.0	139.6	143.7	147.5
Net financial liabilities/revenue	125.2	127.4	111.2	111.5	114.9	158.3	142.5	125.6	131.3	133.5	135.2	137.4

Notes:

1. With the implementation of the latest GFS Manual (AGFS15), some categories have been restated to ensure comparability. GSP figures reflect 2020-21 ABS National Accounts: State Accounts and Queensland Treasury forecasts.

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