

## 5 Expenses

### Features

- The 2018-19 Budget continues to target initiatives that drive more inclusive economic growth and job creation, reduce the cost of living pressures and enhance the safety, security and liveability of Queensland communities.
- Expenses for 2017-18 are estimated to be \$56.747 billion, an increase of \$3.374 billion (or 6.3%) from 2016-17. The increase is due to growth funding to support ongoing demand for health services and student enrolments, expenditure in relation to the final preparation and delivery of the Gold Coast 2018 Commonwealth Games and establishment of a provision for the anticipated costs of Queensland participating in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse (National Redress Scheme).
- Total expenses are projected to grow at an average annual rate of 2.9% over the five years to 2021-22. This is a reduction from last year's budget projected rate of 3.2% over the five years to 2020-21.
- In 2018-19, General Government Sector expenses are estimated to be \$57.590 billion, an expected increase of \$843 million (or 1.5%) over the estimated actual for 2017-18. The increase is a result of continued demand growth in education, health and community services.
- The average growth in employee expenses over the five years to 2021-22 is 4.5% per annum, reflecting growth in full time equivalents (FTEs) and the Government's wages policy.
- In 2018-19, the major areas of expenditure are health and education, which together constitute approximately 54.4% of General Government Sector expenses, the highest ever proportional spend on these services.

This chapter provides an overview of General Government Sector expenses for the estimated actual for 2017-18, forecasts for the 2018-19 Budget year and projections for 2019-20 to 2021-22. The forward estimates are based on the economic projections outlined in Chapter 2.

### 5.1 2017-18 estimated actual

General Government Sector expenses in 2017-18 are estimated to be \$56.747 billion, \$767 million higher than the 2017-18 Mid Year Fiscal and Economic Review (MYFER) estimate. The increase since MYFER is largely driven by provisioning for the anticipated costs of Queensland participating in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse, and the Australian Government's advance payment of financial assistance grants to local governments in 2017-18 for the 2018-19 financial year.

## 5.2 2018-19 Budget and out-years

**Table 5.1 General Government Sector expenses<sup>1</sup>**

	2016-17 Actual \$ million	2017-18 Est. Act. \$ million	2018-19 Budget \$ million	2019-20 Projection \$ million	2020-21 Projection \$ million	2021-22 Projection \$ million
Employee expenses	21,258	22,838	23,807	24,645	25,541	26,466
Superannuation interest costs	514	665	667	717	774	778
Other superannuation expenses	2,661	2,819	2,887	2,933	2,957	3,001
Other operating expenses	15,582	17,382	15,774	15,119	15,291	15,745
Depreciation and amortisation	3,068	3,330	3,429	3,543	3,650	3,776
Other interest expenses	1,722	1,616	1,474	1,643	1,691	1,794
Grants expenses	8,568	8,096	9,552	10,075	9,926	10,019
<b>Total Expenses</b>	<b>53,373</b>	<b>56,747</b>	<b>57,590</b>	<b>58,675</b>	<b>59,829</b>	<b>61,579</b>
Note:						
1. Numbers may not add due to rounding.						

General Government Sector expenses of \$57.590 billion in 2018-19 represent an increase of \$843 million (or 1.5%) over the 2017-18 estimated actual. Factors influencing the higher expenditure in 2018-19 include:

- delivery of the Government's election commitments including additional frontline nurses, police and firefighters
- growth in demand for health services
- growth in education expenditure reflecting student enrolment growth in Queensland schools, enterprise bargaining outcomes, maintaining secondary curriculum offerings for the half year cohort of students going into senior secondary and review of salary classification of school administration and support staff
- job creation initiatives including Works for Queensland, Back to Work Packages, Skilling Queenslanders for Work and Jobs and Regional Growth package
- community services initiatives continuing to improve the child protection system and support of the transition of disability services to the National Disability Insurance Scheme (NDIS)
- costs associated with the introduction of the new Waste Disposal Levy including implementation costs, advance payments to local councils and industry support funding.

Expenditure largely isolated to 2017-18 for the delivery of Gold Coast 2018 Commonwealth Games and the provision for the anticipated cost of Queensland's participation in the National Redress Scheme contribute to the observed reduced growth in 2018-19 expenses. Growth in 2018-19 is also impacted by the Australian Government's advance payment of financial assistance grants in 2017-18 for 2018-19 and the 2018-19 whole-of-Government reprioritisation measures (refer to Budget Paper 4 *Budget Measures*).

### 5.3 Expenses by operating statement category

As outlined in Chart 5.1, the largest expense categories in the General Government Sector in 2018-19 are employee and superannuation expenses (47.4%), followed by other operating expenses (27.4%) that reflect non-labour costs of providing goods and services to government and non-government recipients including consultancies and contractors, transport service contract payments and repairs and maintenance.

**Chart 5.1 Expenses by operating statement category, 2018-19**

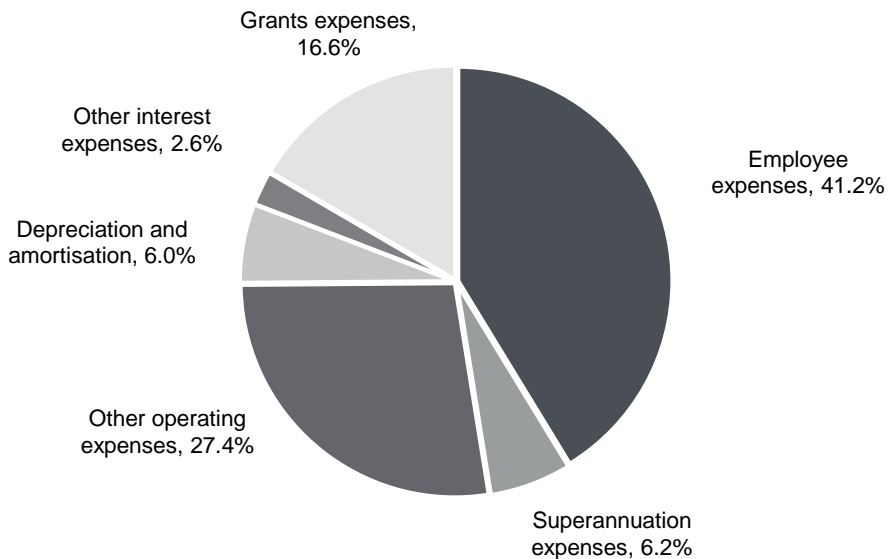
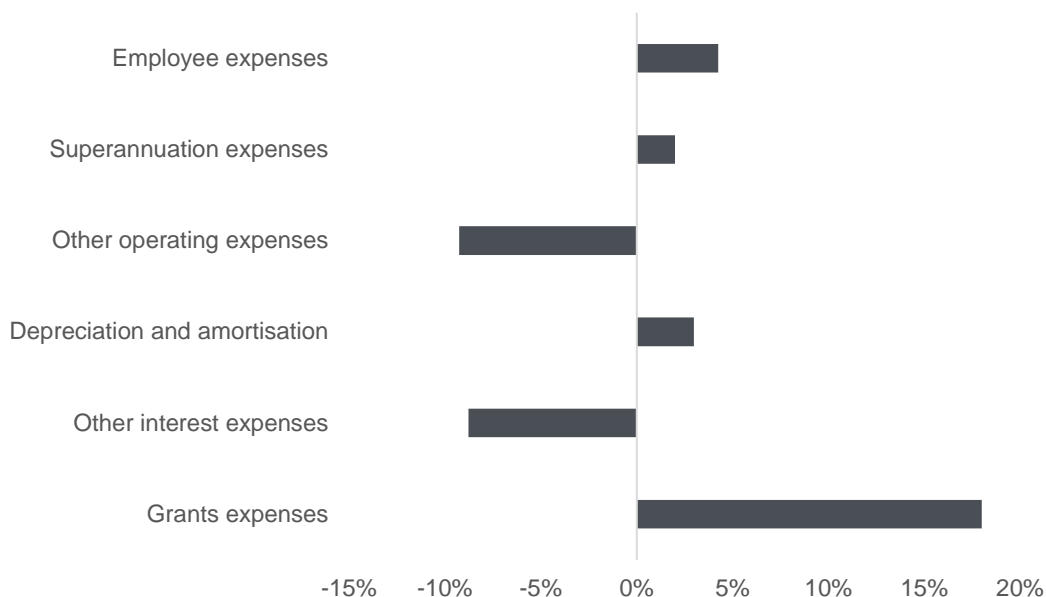


Chart 5.2 identifies the growth in expenses for each operating statement category between the 2017-18 estimated actual and the 2018-19 Budget. The fastest growth is in grant expenses, which primarily reflects the change in service delivery model of disability services with the State progressively transitioning to the National Disability Insurance Scheme (NDIS).

**Chart 5.2 Growth in expenses by operating statement category - 2017-18 estimated actual to 2018-19 Budget**



### 5.3.1 Employee expenses

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

In 2018-19, employee expenses are expected to be \$23.807 billion, \$969 million or 4.2% higher than the 2017-18 estimated actual. This reflects both growth in full-time equivalents (FTEs) and the Government's 2.5% wages policy. Much of the increase in employee expenses in 2018-19 is the key frontline service areas of health and education reflecting increasing demand for health services and student population growth.

#### Full-time equivalents

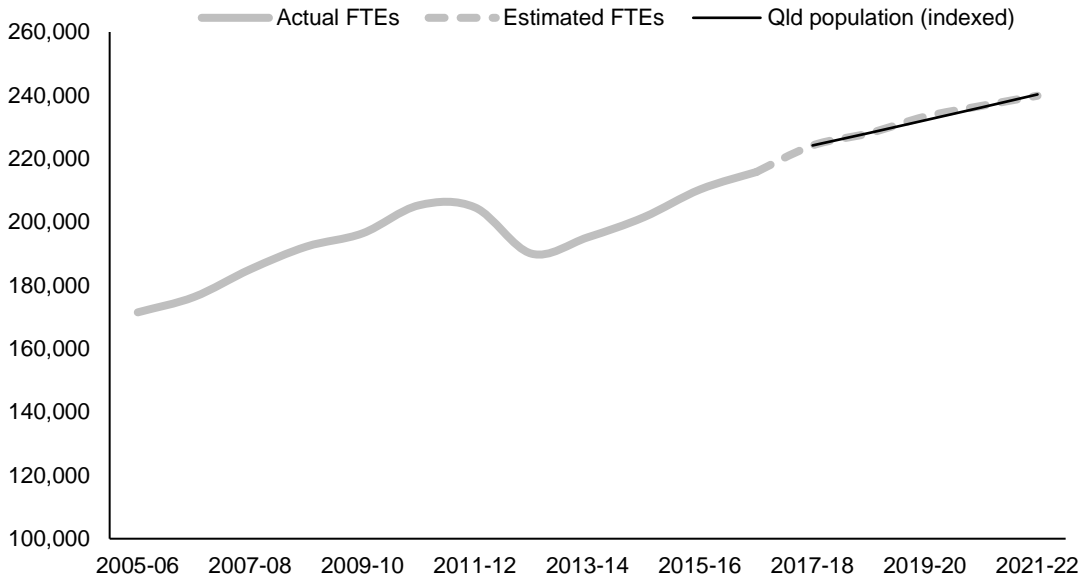
During the 2015 election, the Government made commitments to revitalise frontline service delivery. This resulted in FTEs increasing 14,269 (or 7.1%) in 2015-16 and 2016-17, and an estimated further 8,380 (or 3.88%) in 2017-18. Between March 2015 and March 2018:

- teachers increased by 3,634 (or 8.6%)
- teacher aides increased by 1,135 (or 12.2%)
- nurses increased by 4,828 (or 17.3%)
- health practitioners increased by 1,488 (or 15.2%)
- doctors increased by 1,605 (or 20.3%)
- ambulance officers increased by 376 (or 10.2%)
- police officers increased by 302 (or 2.7%).

As at March 2018, 90.5% of public servants were engaged in frontline and frontline support roles.

Chart 5.3 shows actual FTEs from 2005-06 to 2016-17 and estimated FTEs from 2017-18 to 2021-22.

**Chart 5.3 Departmental FTEs**



FTE growth is moderating. FTEs are estimated to increase by around 3,833 (or 1.71%) in 2018-19, with the majority of the increase being attributable to growth in health and education. These additional FTEs will continue to reduce the number of patients waiting longer than the recommended time, relieve pressure on class sizes and continue to improve student outcomes.

Given the tight fiscal environment and the fact that employee expenses represent the State's largest expense category, the Government introduced a new fiscal principle in the 2016-17 Budget to maintain a sustainable public service where overall growth in FTEs, on average over the forward estimates, does not exceed population growth.

The overall average annual growth rate over 2017-18 to 2021-22, based on current estimates, is 1.71%. This compares to an estimated Queensland population growth of 1¼% annually. To enable ongoing monitoring, the Queensland Public Service Commission (PSC) will continue to collect agency workforce data on a quarterly basis for analysis and reporting purposes.

## Box 5.1 Better data to drive decision making

As noted in previous years' Budget Paper 2 *Budget Strategy and Outlook*, issues have existed for many years with collecting and reporting information about FTEs in the Queensland public service.

These issues have arisen primarily due to the existence of two methodologies to calculate the number of FTEs, and scope of agencies included within the reported numbers. The Minimum Obligatory Human Resource Information (MOHRI) data is published in quarterly Workforce Profile reports and used primarily for broader human resources planning purposes. The Budget FTE number is used to monitor the actual number of FTEs being paid by an agency.

The PSC, with support from Queensland Treasury, has been working on strategies to reduce inconsistencies and improve the quality of data being reported. This has included restructuring parts of the quarterly Workforce Profile reports so that the data for agencies that are included in Budget Paper 2, Table 5.2 is shown separately from those that are not.

The Government acknowledges that there are still limitations surrounding the use of the MOHRI data. The key limitation of the MOHRI methodology is the inconsistency with how employee expenses are accounted for and monitored in agencies. Further, the complexity of the MOHRI methodology means that data on FTEs is not readily available in a timely fashion.

The Government will improve the quality of information by:

- enhancing data collection, reporting and monitoring of indirect employment, such as the use of labour hire, contractors and consultants
- working with agencies to improve geographical reporting, including by postcode
- reviewing the contents of the Workforce Profile reports to assess whether they are meeting the needs of users or whether further opportunities exist to provide tailored reporting, to be reported on by the 2018-19 MYFER
- reviewing occupational codes to identify whether any additional key occupational groups exist which should be reported upon.

The Government is also committed to ensuring that public service staff are located where they are needed in the community. Around 32% of FTEs are located outside South East Queensland, consistent with population share. Regional Action Plans show increases in key service delivery occupations across the regions.

The devolved frontline service delivery models used in some agencies continue to present challenges for FTE estimation and monitoring, in particular when funding is provided in such a way that agencies determine how to most efficiently deliver services. Consistent with last year, the 2018-19 Budget FTE estimates build in an allowance for this.

Table 5.2 shows the funded FTE positions by department and is consistent with agency Service Delivery Statements.

**Table 5.2 Funded controlled FTE positions by Department<sup>1,2</sup>**

	2017-18 Adj. Budget <sup>3</sup>	2017-18 Est. Act	2018-19 Budget
Aboriginal and Torres Strait Islander Partnerships	315	327	324
Agriculture and Fisheries	2,089	2,131	2,128
Child Safety, Youth and Women <sup>4</sup>	4,631	4,638	4,834
Communities, Disability Services and Seniors <sup>4,5</sup>	2,675	2,676	2,241
Education	70,340	71,296	72,784
Electoral Commission of Queensland	56	56	60
Employment, Small Business and Training <sup>4</sup>	4,538	4,517	4,432
Environment and Science	3,074	3,083	3,093
Housing and Public Works	5,510	5,512	5,541
Innovation, Tourism Industry Development and the Commonwealth Games	193	194	173
Justice and Attorney-General	3,362	3,369	3,449
Local Government, Racing and Multicultural Affairs	178	181	188
Natural Resources, Mines and Energy	2,669	2,676	2,665
Office of the Inspector-General Emergency Management	22	22	22
Premier and Cabinet	480	478	467
Public Safety Business Agency	1,144	1,129	1,117
Public Service Commission	73	73	70
Queensland Audit Office	197	182	182
Queensland Corrective Services <sup>4</sup>	4,868	5,005	5,039
Queensland Fire and Emergency Services	3,280	3,280	3,321
Queensland Health (total – disaggregation below)	87,396	87,610	90,095
Queensland Police Service	15,463	15,566	15,696
Queensland Treasury	975	994	994
State Development, Manufacturing, Infrastructure and Planning	1,013	1,058	1,045
The Public Trustee of Queensland	609	611	615
Transport and Main Roads	7,490	7,505	7,427
<b>Total</b>	<b>222,639</b>	<b>224,169</b>	<b>228,002</b>

## Budget Strategy and Outlook 2018-19

	2017-18 Adj. Budget <sup>3</sup>	2017-18 Est. Act	2018-19 Budget
<b>Queensland Health Disaggregation</b>			
Health	7,415	7,497	7,645
Queensland Ambulance Service	4,346	4,402	4,507
Cairns and Hinterland Hospital and Health Service	4,923	4,937	4,971
Central Queensland Hospital and Health Service	2,890	2,980	3,052
Central West Hospital and Health Service	373	380	373
Children's Health Queensland Hospital and Health Service	3,608	3,792	3,700
Darling Downs Hospital and Health Service	4,315	4,396	4,549
Gold Coast Hospital and Health Service	7,482	7,635	8,063
Mackay Hospital and Health Service	2,160	2,286	2,312
Metro North Hospital and Health Service	15,750	15,832	16,165
Metro South Hospital and Health Service	12,604	13,275	12,882
North West Hospital and Health Service	702	716	782
South West Hospital and Health Service	777	806	819
Sunshine Coast Hospital and Health Service	6,540	5,970	6,400
Torres and Cape Hospital and Health Service	926	961	943
Townsville Hospital and Health Service	5,180	5,381	5,401
West Moreton Hospital and Health Service	3,243	3,284	3,572
Wide Bay Hospital and Health Service	3,049	3,080	3,132
Funded unallocated FTEs <sup>6</sup>	1,113	..	827
<b>Total Queensland Health</b>	<b>87,396</b>	<b>87,610</b>	<b>90,095</b>
Notes:			
1. Numbers may not add due to rounding.			
2. Explanation of variations in departmental FTEs can be found in the Service Delivery Statements (SDSs). Departmental totals may include multiple tables from Service Delivery Statements, due to separate FTE tables being provided for Commercialised Business Units.			
3. Adjusted Budget reflects movements of FTEs following Machinery of Government changes only.			
4. Differs from SDSs due to departmental transfers which were not classified as Machinery of Government changes in the SDS.			
5. Decline in FTEs in 2018-19 reflects the transfer of clients with disability to the National Disability Insurance Scheme (NDIS).			
6. Funded unallocated FTEs represents estimates of additional FTEs which have not yet been allocated to particular Hospital and Health Services.			



### 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, 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 and increase marginally over the forward estimates as these rates increase. The defined benefit scheme, which is closed to new members and subject to interest rate fluctuations, will decline over time as members leave.

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

### 5.3.3 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.

In 2018-19, other operating expenses are expected to be \$15.774 billion, a decrease of \$1.609 billion or 9.3% lower compared to the 2017-18 estimated actual.

Other operating expenses decline significantly in 2018-19 due to:

- delivery of the Gold Coast 2018 Commonwealth Games in 2017-18
- the Government provisioning in 2017-18 for Queensland's participation in the National Redress Scheme
- continuing transition of specialist disability services to the NDIS. Queensland's contributions to the NDIS are reflected as grants expenses.

Other operating expenses continue to decline in 2019-20 following the final year of transition to the NDIS in 2018-19.

### **5.3.4 Depreciation and amortisation**

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

Depreciation expenses have increased since the 2017-18 MYFER in all years of the forward estimates following revisions for transport and health infrastructure.

### **5.3.5 Other interest expenses**

Other interest expenses include interest paid on borrowings to acquire capital assets and infrastructure such as roads and government buildings.

Other interest expenses are estimated to decline \$142 million in 2018-19 to \$1.474 billion compared to \$1.616 billion in 2017-18.

Interest costs have fallen significantly since the recent peak of \$2.328 billion in 2014-15. The decline in General Government Sector debt servicing costs is due in part to the repatriation of surplus defined benefit superannuation assets and other balance sheet measures.

### **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 (CSOs) are provided where Public Non-financial Corporations (PNFCs) are required to provide non-commercial services or services at non-commercial prices for the benefit of the community (for further details refer to Chapter 8).

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

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

**Table 5.3 Grants expenses<sup>1</sup>**

	2016-17 Actual \$ million	2017-18 Est. Act. \$ million	2018-19 Budget \$ million
<b>Current</b>			
Grants to local government	905	744	603
Grants to private and not-for-profit organisations			
State funding for non-state schools	664	688	683
Australian Government funding for non-state schools	2,393	2,537	2,670
Other	1,220	1,434	1,514
Grants to other sectors of government			
Community service obligations to PNFCs	615	499	472
Other payments to PNFCs	797	37	44
Other (includes payments to NDIA)	157	411	1,653
Other	437	305	238
<b>Total current grants</b>	<b>7,189</b>	<b>6,656</b>	<b>7,878</b>
<b>Capital</b>			
Grants to local government	732	976	1,064
State funding for non-state schools	93	93	98
Grants to private and not-for-profit organisations	361	144	359
Payments to PNFCs	29	16	13
Queensland First Home Owners' Grants	158	201	140
Other	6	10	..
<b>Total capital grants</b>	<b>1,379</b>	<b>1,440</b>	<b>1,674</b>
<b>Total current and capital grants</b>	<b>8,568</b>	<b>8,096</b>	<b>9,552</b>
Note:			
1. Numbers may not add due to rounding.			

In 2017-18, total grant expenses are estimated to be \$8.096 billion; \$472 million lower than 2016-17. This decrease is mainly due to:

- the payment in 2016-17 of the \$771 million Electricity Affordability grant to Energy Queensland to remove the costs of the Solar Bonus Scheme from retail electricity prices from 2017-18 to 2019-20
- the Australian Government's payment in 2016-17 of the financial assistance grants to local governments for both 2016-17 and 2017-18. The 2018-19 grant will be paid in 2017-18.

The effect of these grant payments in 2016-17 were partially offset in 2017-18 by increased funding to non-state schools, grants under the Government's job creation programs, First Home Owners' Grants and payments by the State to the National Disability Insurance Agency (NDIA) on the progressive transition to the NDIS.

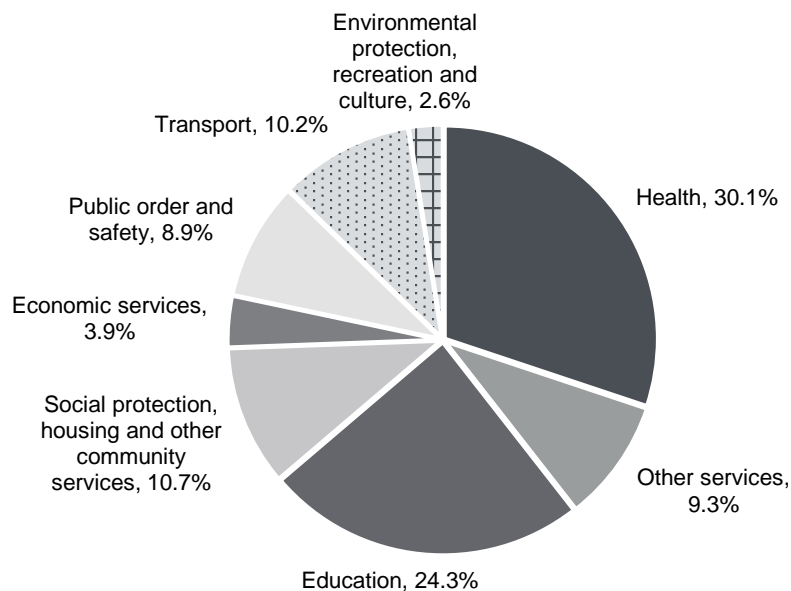
In 2018-19, total grant expenses are estimated to be \$9.552 billion, an increase of \$1.456 billion from 2017-18. The increase in grants expenses is mainly due to grants to other sectors of government, reflecting the change in service delivery model of disability services with the State progressively transitioning to the NDIS, higher capital grants to local councils under Natural Disaster Relief and Recovery Arrangements, waste strategy measures supported by the waste disposal levy and various election commitment expense measures. The increase in grants expenses in 2018-19 is partly offset by the Australian Government again making advance payment of the 2018-19 financial assistance grants to local councils in 2017-18.

## 5.4 Operating expenses by purpose

Chart 5.4 indicates the proportion of expenditure by major purpose classification for the 2018-19 Budget. Health accounts for the largest share of expenses (30.1%) followed by Education (24.3%).

The Australian Bureau of Statistics introduced a revised Classification of the Functions of Government Australia Framework, effective 1 July 2017, which has resulted in some re-classification of expenditure between purposes.

**Chart 5.4 General Government Sector expenses by purpose, 2018-19**



## 5.5 Departmental expenses

Data presented in Tables 5.4 and 5.5 provide a summary drawn from financial statements contained in the Service Delivery Statements (SDS). Further information on the composition of expenses, outputs delivered and factors influencing the movement in expenses can also be obtained from a department's SDS.

**Table 5.4 Departmental controlled expense<sup>1,2</sup>**

	2017-18 Est. Act. \$ 000	2018-19 Budget \$ 000
Aboriginal and Torres Strait Islander Partnerships	90,905	86,868
Agriculture and Fisheries	470,493	481,707
Child Safety, Youth and Women	801,680	1,625,340
Communities, Disability Services and Seniors	2,130,417	868,802
Education	9,371,431	9,421,193
Electoral Commission of Queensland	58,286	48,033
Employment, Small Business and Training	569,445	1,074,848
Energy and Water Supply <sup>3</sup>	43,796	..
Environment and Science	548,345	813,880
Health Consolidated <sup>4</sup>	16,865,940	17,317,943
Housing and Public Works	2,193,512	2,469,903
Innovation, Tourism Industry Development and the Commonwealth Games	372,003	222,834
Inspector General Emergency Management	4,876	4,887
Justice and Attorney-General	1,081,575	602,728
Legislative Assembly	97,415	98,193
Local Government, Racing and Multicultural Affairs	484,553	436,063
National Parks, Sport and Racing <sup>3</sup>	152,700	..
Natural Resources, Mines and Energy	530,990	663,388
Office of the Governor	7,126	7,174
Office of the Ombudsman	8,677	9,205
Premier and Cabinet <sup>5</sup>	205,286	116,370
Public Safety Business Agency	437,286	422,577
Public Service Commission	15,969	14,598
Queensland Audit Office	42,667	43,821
Queensland Corrective Services	469,406	951,883
Queensland Fire and Emergency Services	678,022	702,492
Queensland Police Service	2,320,969	2,325,591
Queensland Treasury	321,494	256,965
Science, Information Technology and Innovation <sup>3</sup>	176,127	..
State Development, Manufacturing, Infrastructure and Planning	401,707	595,992
The Public Trustee of Queensland	88,154	95,362
Transport and Main Roads	5,728,206	5,885,706
<b>Total expenses</b>	<b>46,769,458</b>	<b>47,664,346</b>

Notes:

1. Total expenses by department do not equate to total General Government expenses in Uniform Presentation Framework (UPF) terms reported elsewhere in the Budget Papers as General Government expenses include a wider range of entities including State Government statutory authorities. In addition, transactions eliminated between entities within the General Government Sector are excluded in the preparation of whole-of-Government UPF financial statements.
2. Explanation of variations in departmental controlled expenses can be found in the Service Delivery Statements.
3. Ceased 12 December 2017.
4. This represents Health Consolidated in the Service Delivery Statement, which consolidates Queensland Health controlled, the Hospital and Health Services, and Queensland Ambulance Service.
5. Excludes Corporate Administration Agency.

**Table 5.5 Departmental administered expense<sup>1,2</sup>**

	<b>2017-18 Est. Act. \$ 000</b>	<b>2018-19 Budget \$ 000</b>
Aboriginal and Torres Strait Islander Partnerships	14,261	12,518
Agriculture and Fisheries	27,717	40,370
Child Safety, Youth and Women	494,601	5,868
Communities, Disability Services and Seniors	811,834	1,929,471
Education	3,413,315	3,550,845
Energy and Water Supply <sup>3</sup>	233,064	..
Environment and Science	71,194	139,452
Health	73,784	18,748
Housing and Public Works	23,892	52,079
Innovation, Tourism Industry Development and the Commonwealth Games	625,534	107,889
Justice and Attorney-General	400,860	415,442
Local Government, Racing and Multicultural Affairs	750,723	247,124
National Parks, Sport and Racing <sup>3</sup>	31,688	..
Natural Resources, Mines and Energy	335,764	533,012
Premier and Cabinet	137,247	123,127
Queensland Police Service		734
Queensland Treasury	6,002,470	6,049,595
Science, Information Technology and Innovation <sup>3</sup>	37,433	..
State Development, Manufacturing, Infrastructure and Planning	222,792	604,240
The Public Trustee of Queensland	604	..
<b>Total expenses</b>	<b>13,708,777</b>	<b>13,830,514</b>

Notes:

1. Total expenses by department does not equate to total General Government expenses in Uniform Presentation Framework (UPF) terms reported elsewhere in the Budget Papers as General Government expenses include a wider range of entities including State Government statutory authorities. In addition transactions eliminated between entities within the General Government Sector are excluded in the preparation of whole-of-Government UPF financial statements.
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