

# 5 Expenses

## Features

- In the 2021–22 Queensland Budget, the Queensland Government continues to provide targeted expense measures in response to the on-going effects of the pandemic as well as pivoting to support longer-term recovery under the Queensland Government's *Economic Recovery Plan*.
- General Government Sector expenses are expected to increase in 2021–22 reflecting the need for a continued strong health response to the COVID-19 pandemic and support to drive economic growth and jobs.
- Expenses for 2021–22 are estimated to be \$67.148 billion, an increase of \$2.949 billion from 2020–21. The increase partly reflects Queensland's continued health response to the COVID-19 pandemic including fever clinics, contact tracing, compliance and quarantine activities and the vaccination program together with additional jobs and industry support initiatives to assist economic recovery. Student enrolment growth and demand for health services also contribute to higher expenses in 2021–22.
- Beyond 2021–22, growth in General Government Sector expenses is expected to moderate to sustainable levels over the longer term as the need for government support tapers as the economy recovers.
- Total expenses are projected to grow at an average annual rate of 2.3 per cent over the 4 years to 2024–25. Revenue is expected to grow at an average annual rate of 3.9 per cent over the same period.
- The Queensland Government's Savings and Debt Plan, announced on 9 July 2020, targeted savings of \$3 billion over 4 years to 2023–24. Savings of \$750 million in 2020–21 have been achieved under the Savings and Debt Plan. Workstreams established under the Savings and Debt Plan are continuing to identify cross-government savings opportunities and will support agencies to achieve remaining savings through to 2023–24.
- In 2021–22, the major areas of expenditure are in the key frontline services of health and education, which together constitute approximately 56.6 per cent of General Government Sector expenses.

This chapter provides an overview of General Government Sector expenses for the forecast 2021–22 Budget year and projections for 2022–23 to 2024–25. The forward estimates are based on the economic projections outlined in Chapter 2.

## 5.1 2020–21 estimated actual

General Government Sector expenses in 2020–21 are estimated to be \$64.199 billion, \$682 million lower than the 2020–21 Queensland Budget.

The decrease in expenses since the 2020–21 Budget is largely driven by:

- lower than projected costs related to COVID-19 health response, some of which will be delivered in 2021–22
- lower interest expenses resulting from reduced borrowing requirements due to stronger taxation and GST revenue than previously forecast and lower than expected interest rates in the second half of 2020–21
- timing of expenditure under various grant programs including natural disaster expenditure
- actuarial adjustments for the state’s Defined Benefit Superannuation Scheme.

These expenses were partly offset by the Australian Government’s advance payment of financial assistance grants to local governments in 2020–21 for the 2021–22 financial year.

## 5.2 2021–22 Budget and outyears

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

	2019–20 Outcome \$ million	2020–21 Est. Act. \$ million	2021–22 Budget \$ million	2022–23 Projection \$ million	2023–24 Projection \$ million	2024–25 Projection \$ million
Employee expenses	25,660	26,284	27,474	28,598	29,337	30,344
Superannuation interest costs	354	246	373	398	400	393
Other superannuation expenses	3,183	3,116	3,156	3,234	3,307	3,355
Other operating expenses	17,087	17,102	17,963	17,273	17,614	17,576
Depreciation and amortisation	4,033	4,234	4,356	4,509	4,677	4,829
Other interest expenses	1,486	1,567	1,667	1,880	2,085	2,241
Grants expenses	11,695	11,649	12,160	12,260	11,957	11,476
<b>Total Expenses</b>	<b>63,498</b>	<b>64,199</b>	<b>67,148</b>	<b>68,151</b>	<b>69,376</b>	<b>70,214</b>

Note:

1. Numbers may not add due to rounding.

General Government Sector expenses of \$67.148 billion in 2021–22 represent an increase of \$2.949 billion (or 4.6 per cent) over the 2020–21 estimated actual. Key initiatives contributing to the growth in expenditure in 2021–22 include:

- continuation of the government’s COVID-19 response including fever clinics, contact tracing and testing capability, the vaccination program, compliance activities, facilitation of quarantine in government-arranged accommodation and COVID-19 call centres telephone support for people in mandatory hotel quarantine

- Queensland Health’s performance stabilisation measures to address pressures in emergency patient flow through our public hospitals, elective surgery and specialist outpatient waitlists and the opening of the Nambour Hospital Redevelopment
- student enrolment growth and increased funding under the National School Reform Agreement and associated Bilateral Agreement
- creation of the Industry Partnership program (as part of the Queensland Jobs Fund)
- provision of ongoing funding for the Skilling Queenslanders for Work initiative
- additional funding for the Housing and Homelessness Action Plan and the establishment of a Housing Investment Fund, with its returns used to drive new supply to support current and future housing needs
- increased funding for youth justice.

### 5.3 Expenses by operating statement category

As outlined in Chart 5.1, the largest expense categories in the General Government Sector in 2021–22 are employee and superannuation expenses (46.2 per cent). Other operating expenses (26.8 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, 2021–22**

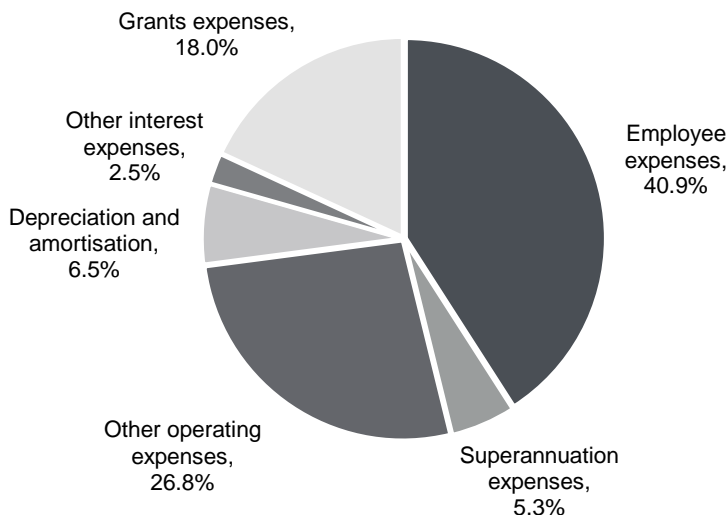
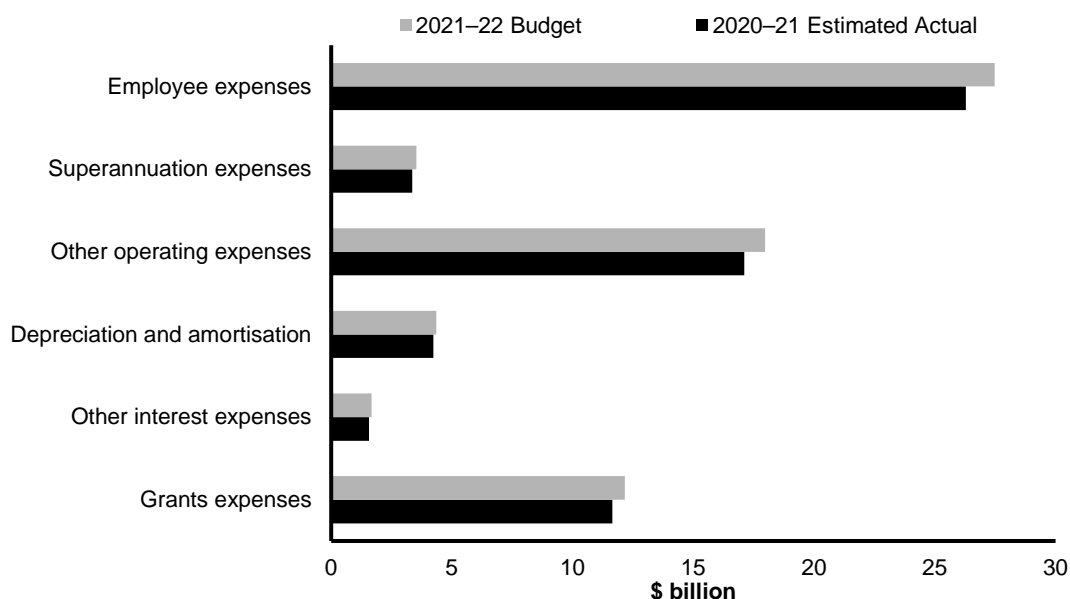


Chart 5.2 identifies the growth in expenses in each operating statement category between the 2020–21 Budget and the 2021–22 Budget. The largest increases in 2021–22 are in employee expenses, reflecting workforce requirements to meet the ongoing demand for frontline hospital and health services and school enrolment growth, and other operating expenses driven by COVID-19 response activities.

**Chart 5.2 Growth in expenses by operating statement category – 2020–21 Budget to 2021–22 Budget**



### 5.3.1 Employee expenses

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

In 2021–22, employee expenses are expected to be \$27.474 billion, \$1.189 billion or 4.5 per cent higher than the 2020–21 estimated actual. This reflects the increase in key frontline service areas of health and education due to demand for health services, and student population growth.

In the 2020–21 Budget the government implemented a wage deferral of scheduled increases in General Government sector wages from 2020–21 into the following 2 years to partly offset the impact of its COVID-19 measures. Employee expenses are estimated to increase 4.5 per cent in 2021–22 and 4.1 per cent in 2022–23 reflecting the deferred wage increases and the additional activity in response to the COVID-19 pandemic.

Employee expenses growth over the 4 years to 2024–25 is broadly in line with population growth and government election commitments towards supporting frontline services.

### Full-time equivalents

The government is delivering on its commitment to revitalise frontline service delivery. This has contributed to full time equivalents (FTE) increasing 34,357 (or 17.26 per cent) from 2014–15 to 2020–21.

Between March 2015 and March 2021:

- teachers increased by 5,662 (or 13.45 per cent)
- teacher aides increased by 1,431 (or 15.35 per cent)
- nurses increased by 8,407 (or 30.11 per cent)
- health practitioners increased by 4,291 (or 43.43 per cent)
- doctors increased by 2,841 (or 35.83 per cent)
- ambulance officers increased by 858 (or 23.11 per cent)
- police officers increased by 728 (or 6.48 per cent)
- firefighters increased by 172 (or 7.16 per cent).

As at March 2021, around 91.57 per cent of public servants were engaged in frontline and frontline support roles.

FTEs are estimated to increase by around 3,797 in 2021–22, driven principally by increases in health, education and other frontline services like police, child safety and QBuild.

The government is also committed to ensuring that public service staff are located where they are needed in the community. Around 47 per cent of FTEs 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.

## **Box 5.1 Public sector FTE management**

In accordance with the Savings and Debt Plan, the Queensland public sector continues to actively manage its workforce to ensure limited increases in the overall public sector FTE cap.

This includes measures such as prioritising non-frontline recruitment within the existing public sector workforce to prevent unnecessary workforce growth and managing a natural reduction in the senior executive service cohort.

In the 2021–22 Budget, the government has established a whole-of-government pool of unallocated FTEs (the Pool), to resource approved priority functions where they cannot be resourced from within an agency's existing FTE levels. Unallocated FTE positions for the Pool have been sourced from existing agency allocations where they were not being utilised. This Pool will assist the government to continue to prioritise its resources, including to new priority functions, while limiting increases in overall public sector FTE levels.

The Pool will be managed by the Public Service Commission in partnership with Queensland Treasury and the Department of the Premier and Cabinet.

Public sector workforce information is published bi-annually by the Public Service Commission.

The Public Service Commission publishes a bi-annual Queensland Public Sector Workforce Profile. The March 2021 update reports 235,447.72 full-time equivalents, an increase of 1,305.23 FTEs across the public sector workforce since September 2020. The increase reflects growth of 1,803.08 FTE frontline and frontline support roles and a reduction of 497.85 FTE non-frontline roles. The reporting basis used by the PSC reflects FTEs paid at a certain date. FTEs reported in Table 5.2 reflects approved funded FTE positions.

**Table 5.2 Funded Controlled FTE positions by Department<sup>1</sup>**

	2020–21 Adjusted Budget <sup>2</sup>	2020–21 Estimated Actuals	2021–22 Budget
Agriculture and Fisheries	2,115	2,118	2,108
Children, Youth Justice and Multicultural Affairs	5,121	5,162	5,286
Communities, Housing and Digital Economy	3,985	3,985	3,590
Education	75,334	75,170	75,706
Electoral Commission of Queensland	76	76	76
Employment, Small Business and Training	4,542	4,567	4,576
Energy and Public Works	1,707	1,708	2,319
Environment and Science	2,867	2,861	2,841
Justice and the Attorney-General	3,645	3,654	3,628
Office of the Inspector-General of Emergency Management	22	22	22
Premier and Cabinet	457	456	455
Public Safety Business Agency	1,019	1,019	0
Public Service Commission	63	65	64
Queensland Audit Office	191	191	191
Queensland Corrective Services	6,245	6,255	6,599
Queensland Fire and Emergency Services	3,516	3,516	3,788
Queensland Health	96,939	96,939	99,266
Queensland Police Service	15,956	15,956	17,031
Queensland Treasury	1,111	1,227	1,213
Regional Development, Manufacturing and Water	526	575	586
Resources	1,553	1,556	1,535
Seniors, Disability Services, and Aboriginal and Torres Strait Islander Partnerships	1,995	1,998	1,961
State Development, Infrastructure, Local Government and Planning	1,029	973	973
The Public Trustee of Queensland	637	637	637
Tourism, Innovation and Sport	466	475	467
Transport and Main Roads	7,512	7,512	7,512
Whole-of-Government unallocated FTE pool <sup>3</sup>			40
<b>Total</b>	<b>238,629</b>	<b>238,673</b>	<b>242,470</b>
<b>Notes:</b>			
1. Explanations of variations in departmental FTEs can be found in the Service Delivery Statements (SDS). Departmental totals may include multiple tables from SDS, due to separate FTE tables being provided for Departmental service areas and Commercialised Business Units.			
2. Adjusted Budget reflects movements of FTEs following Machinery of Government changes only.			
3. The total 2021–22 Budget includes an additional 40 FTEs held in the newly established whole-of-government unallocated FTE Pool. Refer to Box 5.1.			

### 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. Rates declined in 2019–20 resulting in lower superannuation interest costs in 2020–21.

Bond yields are forecast to rise over the forward estimates increasing superannuation interest costs by \$127 million in 2021–22. The impact on superannuation interest costs from rising government bond yields in the later part of the forward estimates is largely offset by the effect of a declining defined benefit superannuation liabilities. 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 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 2021–22, other operating expenses are expected to be \$17.963 billion, an increase of \$861 million, or 5 per cent, higher compared to the 2020–21 estimated actual.

The increase in other operating expenses is driven mainly by:

- the continuation of the government's COVID-19 response, in particular facilitation of quarantine in government-arranged accommodation
- the ramp up of works under the Cross River Rail project.

Other operating expenses are expected to decline in 2022–23 as the need for the government's COVID-19 health response tapers and Cross River Rail works reduce as the project gets 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.



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

### **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 \$100 million in 2021–22 to \$1.667 billion compared to \$1.567 billion in 2020–21.

Interest costs have fallen in both 2020–21 and 2021–22 compared to the 2020–21 Budget due to improvements in the fiscal position.

Interest expenses across the forward estimates remain below the peak of \$2.328 billion in 2014–15.

### **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 9).

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 Owner's 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<sup>1</sup>

	2019–20 Outcome \$ million	2020–21 Est. Act. \$ million	2021–22 Budget \$ million
<b>Current</b>			
Grants to local government	696	873	653
Grants to private and not-for-profit organisations			
State funding for non-state schools	712	760	790
Australian Government funding for non-state schools	3,152	3,124	3,472
Other	2,297	2,067	2,065
Grants to other sectors of government			
Community service obligations to PNFCs	508	475	538
Other payments to PNFCs	50	52	89
Other (includes payments to NDIA)	1,580	1,988	2,055
Other	969	514	366
<b>Total current grants</b>	<b>9,964</b>	<b>9,854</b>	<b>10,028</b>
<b>Capital</b>			
Grants to local government	1,070	1,070	1,447
State funding for non-state schools	100	101	117
Grants to private and not-for-profit organisations	430	418	379
Payments to PNFCs	33	30	50
Queensland First Home Owners' Grants	96	172	123
Other	2	5	16
<b>Total capital grants</b>	<b>1,731</b>	<b>1,796</b>	<b>2,132</b>
<b>Total current and capital grants</b>	<b>11,695</b>	<b>11,649</b>	<b>12,160</b>
Note:			
1. Numbers may not add due to rounding.			

In 2020–21, grant expenses are estimated to total \$11.649 billion, \$46 million lower than 2019–20. The relatively flat growth in grants expenses in 2020–21, despite an increase in grants to the National Disability Insurance Agency (NDIA), is mainly due to the immediate stimulus provided in the wake of the COVID-19 crisis. In 2019–20, significant stimulus was provided to businesses through payroll tax and land tax rebates and electricity rebates for small businesses.

In 2021–22, total grant expenses are estimated to be \$12.160 billion, \$511 million higher than 2020–21. This increase is mainly due to:

- higher Australian government grants on-passed to non-government schools
- funding for the new Industry Partnership Program (under Queensland Jobs Fund) to boost Queensland's industry footprint
- funding for job creation programs including Back to Work, Works for Queensland and South East Queensland Community Stimulus Program

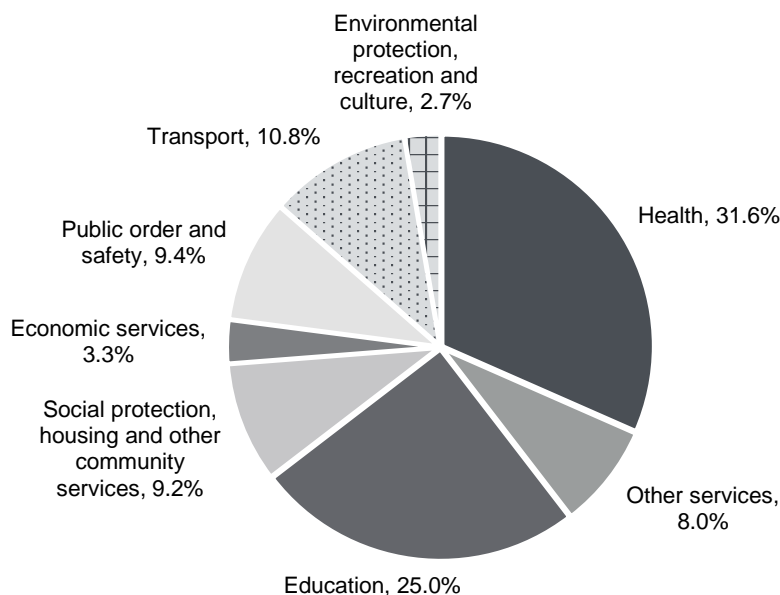
Higher grants in 2021–22 are partly offset by the Australian Government again making advance payment of the 2021–22 Financial Assistance Grants to local councils in 2020–21.

## 5.4 Operating expenses by purpose

Chart 5.3 indicates the proportion of expenditure by major purpose classification for the 2021–22 Budget. Health accounts for the largest share of expenses (31.6 per cent) followed by Education (25 per cent).

The COVID-19 pandemic has resulted in a significant increase in health expenditure in 2021–22, increasing the function’s relative percentage of total General Government Sector expenses comparative to most other expenditure classification by purpose.

**Chart 5.3 General Government Sector expenses by purpose, 2021–22**



## 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 can also be obtained from departmental SDS.

**Table 5.4 Departmental controlled expenses<sup>1</sup>**

	2020–21 Est. Act. \$ 000	2021–22 Budget \$ 000
Agriculture and Fisheries	577,544	522,630
Children, Youth Justice and Multicultural Affairs	1,821,609	1,858,075
Communities, Housing and Digital Economy <sup>2</sup>	2,164,056	1,862,127
Education	10,270,294	11,009,676
Electoral Commission of Queensland	86,335	28,925
Employment, Small Business and Training <sup>3</sup>	1,397,075	1,268,358
Energy and Public Works <sup>2</sup>	516,323	957,731
Environment and Science <sup>2</sup>	858,965	832,270
Health Consolidated <sup>4</sup>	20,459,668	20,884,953
Inspector-General of Emergency Management	4,724	4,844
Justice and Attorney-General <sup>2</sup>	757,358	826,708
Legislative Assembly	106,541	106,322
Office of the Governor	7,429	8,328
Office of the Ombudsman	9,105	9,505
Premier and Cabinet	108,352	109,164
Public Safety Business Agency (abolished 1 July 2021)	305,107	..
Public Service Commission	14,217	15,169
Queensland Audit Office	44,906	44,930
Queensland Corrective Services	1,060,019	1,092,256
Queensland Fire and Emergency Services	949,288	800,192
Queensland Police Service	2,663,631	2,700,738
Queensland Treasury	624,553	510,157
Regional Development, Manufacturing and Water <sup>2</sup>	136,549	186,989
Resources <sup>2</sup>	383,160	335,850
Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships <sup>2</sup>	364,289	311,455
State Development, Infrastructure, Local Government and Planning <sup>2</sup>	479,643	751,877
The Public Trustee of Queensland	88,453	88,772
Tourism, Innovation and Sport <sup>2</sup>	412,332	392,254
Transport and Main Roads	6,710,516	6,931,191
<b>Total expenses</b>	<b>53,382,041</b>	<b>54,451,446</b>
Notes:		
1. Total expenses by department do not equate to total General Government Sector expenses in Uniform Presentation Framework (UPF) terms reported elsewhere in the Budget Papers as General Government Sector expenses include a wider range of entities including state government statutory authorities. In addition, transactions eliminated between entities within the General Government Sector are excluded in the preparation of whole-of-government UPF financial statements.		
2. Department expenses in 2020–21 are impacted by Machinery of Government changes which occurred in late 2020.		

- |    |   |
|----|---|
| 3. | Decrease from estimated actuals to Budget is mainly due to the cessation of time-limited funding in response to COVID-19, including the Small Business COVID-19 Adaption Grants.            |
| 4. | This represents Health Consolidated in the Service Delivery Statement, which consolidates Queensland Health controlled, the Hospital and Health Services, and Queensland Ambulance Service. |

**Table 5.5 Departmental administered expenses<sup>1</sup>**

	<b>2020–21</b>	<b>2021–22</b>
	<b>Est. Act.</b>	<b>Budget</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Agriculture and Fisheries	64,306	57,827
Children, Youth Justice and Multicultural Affairs	16,652	1,139
Communities, Housing and Digital Economy <sup>2</sup>	141,873	197,373
Education	4,168,282	4,620,350
Energy and Public Works <sup>2</sup>	267,996	545,811
Environment and Science <sup>2</sup>	75,922	..
Health Consolidated <sup>3</sup>	69,774	77,216
Justice and Attorney-General	685,608	476,616
Premier and Cabinet	148,324	167,549
Queensland Police Service	725	..
Queensland Treasury	6,620,240	6,428,842
Regional Development, Manufacturing and Water Resources <sup>2</sup>	30,695	37,205
Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships	260,883	57,996
State Development, Infrastructure, Local Government and Planning	2,450,503	2,434,745
The Public Trustee of Queensland	886,257	1,069,112
Tourism, Innovation and Sport <sup>2</sup>	759	774
Tourism, Innovation and Sport <sup>2</sup>	148,766	126,559
Transport and Main Roads	71,149	109,746
<b>Total expenses</b>	<b>16,108,714</b>	<b>16,408,860</b>
Notes:		
1. Total expenses by department do not equate to total General Government Sector expenses in Uniform Presentation Framework (UPF) terms reported elsewhere in the Budget Papers as General Government Sector expenses include a wider range of entities including state government statutory authorities. In addition, transactions eliminated between entities within the General Government Sector are excluded in the preparation of whole-of-government UPF financial statements.		
2. Department expenses in 2020–21 are impacted by Machinery of Government changes which occurred in late 2020.		
3. This represents Health Consolidated in the Service Delivery Statement, which consolidates Queensland Health controlled, the Hospital and Health Services, and Queensland Ambulance Service.		