5 Balance sheet and cash flows

Features

- The 2025–26 Budget delivers significant reductions in forecast debt across the forward estimates relative to the 2024–25 Mid-Year Fiscal and Economic Review (MYFER).
- The government is committed to managing the rate of growth in borrowings and recognises the benefits to Queenslanders of a calm and methodical approach to balance sheet management in support of fiscal objectives.
- The Budget provides for a significant and targeted capital investment program, while moderating growth in borrowings and limiting interest expenses to support improved cash flows, providing the foundations for balance sheet repair and ongoing sustainability.
- General Government Sector (GGS) gross borrowing is forecast to be $95.480 billion for 2025–26, $6.3 billion less than expected in the 2024–25 MYFER.
- The Non-financial Public Sector (NFPS) gross borrowing is expected to be $147.840 billion in 2025–26, $8.4 billion less than projected at 2024–25 MYFER.
- In 2027–28, total NFPS debt is forecast to be $190.360 billion, $27.5 billion lower than the 2024–25 MYFER forecast of $217.826 billion.
- NFPS borrowing is expected to progressively increase to $205.660 billion by 2028–29. The rate of increase slows each year as general government operating deficits improve and the capital program stabilises.
- In addition, investment returns from the Debt Retirement Fund and a redemption of surplus defined benefit assets will lower debt by $4.8 billion by 30 June 2029.

5.1 Overview

The balance sheet shows the projected assets, liabilities and net worth of the GGS as at 30 June each year. A resilient balance sheet provides the government with the capacity to respond to immediate financial and economic events.

The cash flow statement shows the expected cash flows of the GGS during each financial year of the forward estimates. While the operating statement is reported in accrual terms, when revenues and expenses are recognised, the cash flow statement is reported in cash terms when revenues are received, and payments are made.

5.2 Balance sheet

Table 5.1 summarises the key balance sheet aggregates.

Table 5.1 Summary of budgeted balance sheets[1]

	2023–24 Outcome $ million	2024–25 Budget $ million	2024–25 MYFER $ million	2024–25 Est. Act. $ million	2025–26 Budget $ million	2026–27 Projection $ million	2027–28 Projection $ million	2028–29 Projection $ million
General Government								
Financial assets	89,221	91,386	92,042	90,946	93,185	93,553	94,977	97,551
Non-financial assets	356,110	355,190	369,157	367,342	379,593	394,956	410,821	425,462
Total assets	**445,331**	**446,575**	**461,199**	**458,288**	**472,778**	**488,510**	**505,798**	**523,013**
Borrowings	58,773	77,118	77,627	74,843	95,480	114,301	131,696	145,176
Advances	3,161	1,662	2,092	2,532	1,269	975	788	746
Superannuation liability	20,118	19,478	19,889	19,006	18,806	18,326	17,409	16,198
Other provisions and liabilities	32,132	32,744	31,907	31,522	32,280	32,444	33,258	34,083
Total liabilities	**114,184**	**131,002**	**131,515**	**127,903**	**147,835**	**166,045**	**183,151**	**196,204**
Net worth	**331,147**	**315,573**	**329,683**	**330,385**	**324,943**	**322,464**	**322,647**	**326,810**
Net debt	**5,684**	**27,407**	**25,539**	**22,092**	**41,803**	**61,605**	**79,239**	**93,217**
Non-Financial Public Sector								
NPFS Borrowings	106,397	124,707	128,085	124,118	147,840	170,484	190,360	205,660
NFPS Purchases of non-financial assets	16,887	22,241	25,760	21,583	23,837	26,749	26,221	25,326

Note:

1. Numbers may not add due to rounding.

5.2.1 Financial assets

The major categories of financial assets are investments, loans and placements, and investments in other public sector entities.

Investments, loans and placements include investments held to meet future liabilities, such as superannuation and insurance, as well as investments relating to the Queensland Future Fund – Debt Retirement Fund (DRF).

The GGS also 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).

Total financial assets of $90.946 billion are estimated for 2024–25, $1.725 billion higher than 2023–24 Outcome. Financial assets are forecast to rise steadily across the forward estimates as increases in equity in public sector enterprises are slightly offset by modest declines in investments, loans and placements.

In recognition of the need for balance sheet repair, this Budget includes additional debt reduction measures to ensure available liquidity is used optimally to reduce pressure on NFPS borrowing.

Given the steep rise in long-term interest rates, this government is using the DRF for the purpose for which it was established in 2021 and is reducing the state's debt burden by drawing on the DRF investments to repay borrowings. Repaying borrowings will reduce the state's interest burden along with its exposure to significant financial market risks.

In 2025–26, a program of investment portfolio consolidation will combine $3 billion of surplus defined benefit investment assets with $5.35 billion of other long-term assets and contribute these investments to the DRF. As a result, the value of the DRF will increase to $19.4 billion in 2025–26. The revised structure of the DRF will allow for the repayment of $4.8 billion of debt by 30 June 2029.

The latest actuarial valuation of the defined benefit scheme shows a surplus of almost $10 billion. A drawdown of $3 billion for contribution to the DRF will still leave the scheme with a significant buffer against future risks, fulfilling the State's obligation to hold assets that are at least equal in value to the actuarial defined benefit liability.

The additional $5.35 billion contribution to the DRF will be sourced from a portfolio of long-term assets originally established to support appropriation payments mainly for housing and carbon reduction programs. The programs will continue to be fully funded through approved appropriation payments, with no change to service delivery.

Consolidating investment assets across the government's balance sheet will simplify portfolio management, reduce investment administration burden and support a unified debt reduction strategy.

5.2.2 Non-financial assets

Non-financial assets consist primarily of land and other fixed assets, including roads, schools, hospitals and other infrastructure. Other non-financial assets held by the state include prepayments and deferred income tax assets relating to GOCs.

GGS non-financial assets are estimated to be $367.342 billion at 30 June 2025, $11.232 billion higher than the 2023–24 outcome. GGS non-financial assets are forecast to increase from $379.593 billion in 2025–26 to $425.462 billion by 30 June 2029.

The NFPS capital program for 2025–26 is forecast to be $29.318 billion, which comprises $23.837 billion of PNFA, $5.063 billion of capital grant expenses and acquisitions of non-financial assets under finance leases and similar arrangements of $417 million.

Over the 4 years to 2028–29, the NFPS capital program is forecast to be $116.840 billion, which comprises $102.132 billion of purchases of non-financial assets (PNFA), $13.511 billion of capital grants expenses, and acquisitions of non-financial assets under finance leases and similar arrangements of $1.196 billion.

The finance leases and similar arrangements are mainly in relation to Public Private Partnerships and include construction of Cross River Rail infrastructure and Gold Coast Light Rail Stage 3.

The government is reviewing the delivery approach for the capital program to improve governance and oversight coordination.

The reduction in the NFPS capital program over the forward estimates compared to 2024–25 MYFER has been achieved by working with agencies to assess government priorities while sequencing the capital program to support on-time and on-budget delivery. Further discussion can be found in Budget Paper 3: Budget Capital Statement.

5.2.3 Liabilities

General Government Sector

Total GGS liabilities are estimated to be $127.903 billion at 30 June 2025 of which the largest component is borrowings at $74.843 billion. This is $2.784 billion lower than the 2024–25 MYFER estimate.

By 30 June 2028 borrowing is expected to be $131.696 billion, which is $22.070 billion lower than the 2024–25 MYFER estimate. Lower than expected borrowing reflects the improved operating position, revised capital program and the impact of debt reduction measures discussed above.

The defined benefit superannuation liability is projected to be $19.006 billion at 30 June 2025 and is expected to continue to decline over the forward estimates as members progressively retire. The fund has been closed to new entrants since 2008.

Total assets covering the actuarial value of the accrued benefits at 30 June 2024 provided for a surplus of approximately $10 billion, representing a funding position of 143 per cent. The transfer of $3 billion in surplus defined benefit assets to the DRF is estimated to result in a fund surplus of around $7.4 billion, with an asset to liabilities funding ratio of 135 per cent by June 2026.

The funding position is then expected to improve further over time as returns are generated on surplus investments. It is expected that by the end of the forward estimates, asset coverage will return to the same level as determined in the 2024 triennial actuarial investigation (143 per cent).

The 2016–17 Budget approved the withdrawal of surplus defined benefit scheme assets of $4 billion, from a reported scheme surplus of over $10 billion as at 30 June 2015. Actual withdrawals of $3.5 billion occurred until 2020–21, with an additional withdrawal of $553.6 million approved by the former government in September 2024.

Non-financial Public Sector Borrowing

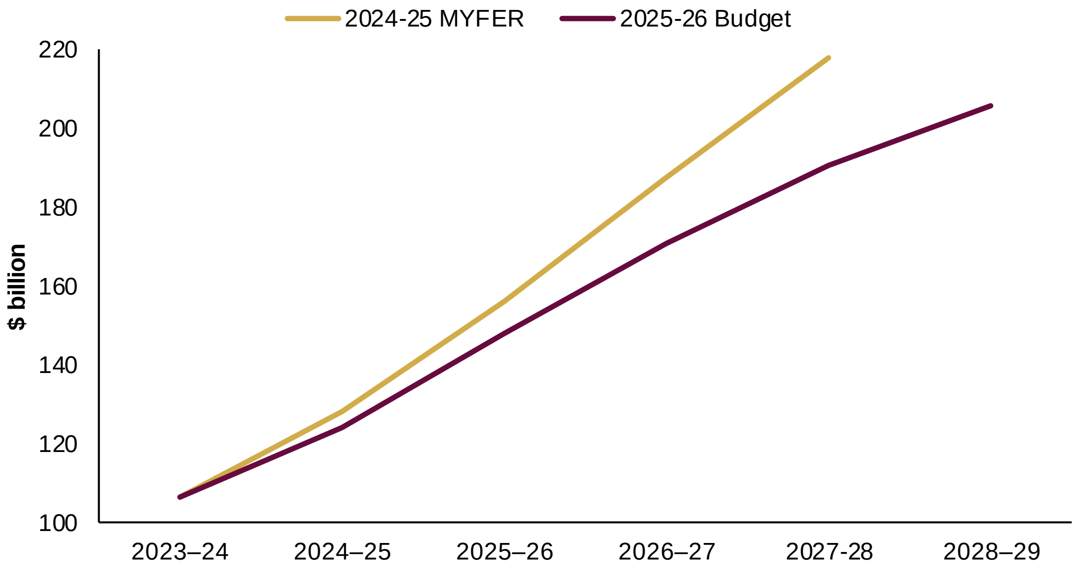
The NFPS is a consolidation of the General Government and PNFC sectors, with transactions between these sectors eliminated.

PNFC debt is primarily held by GOCs and is supported by income-generating assets including key economic infrastructure.

NFPS borrowing is expected to be $124.118 billion by 30 June 2025, $3.968 billion lower than the 2024–25 MYFER.

NFPS borrowing of $190.4 billion is forecast in 2027–28, $27.5 billion lower than the comparable 2024–25 MYFER estimates. Chart 5.1 shows the forecast growth in NFPS borrowing across the forward estimates in both the 2024–25 MYFER and 2025–26 Budget.

Chart 5.1 Non-financial Public Sector borrowings



5.2.4 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. Net debt is another metric used across jurisdictions to assess the soundness of the government's fiscal position. Higher levels of net debt will require servicing through interest payments and limit flexibility to adjust expenditure.

Net debt for the GGS in 2024–25 is estimated to be $22.092 billion, $3.447 billion lower than expected in the 2024–25 MYFER. The lower net debt predominantly reflects lower borrowing requirements for capital purchases in both the GGS and PNFC sectors, and the impact of expected returns on the state's long-term assets.

The net debt to revenue ratio for the GGS in 2025–26 is forecast to be 45.8 per cent. This compares very favourably to the ratio in the 2024–25 MYFER of 54.1 per cent.

5.2.5 Net worth

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

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

- operating surpluses (deficits) that increase (decrease) the government's equity
- revaluation of assets and liabilities as required by accounting standards
- movements in the net worth of the state's investments in the PNFC and Public Financial Corporations (PFC) 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.

GGS net worth is projected to be $330.385 billion at 30 June 2025 and gradually decline in 2025–26 and 2026–27 due to the net operating deficits. From 2027–28 net worth is expected to improve as operating deficits reduce. GGS net worth is forecast to reach $326.810 billion in 2028–29.

5.3 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).

GGS net cash inflows from operating activities have improved compared to 2024–25 MYFER estimates due to the improved operating balances and moderation in capital purchases. The improvement in this measure over the forward estimates is shown in Chart 5.2.

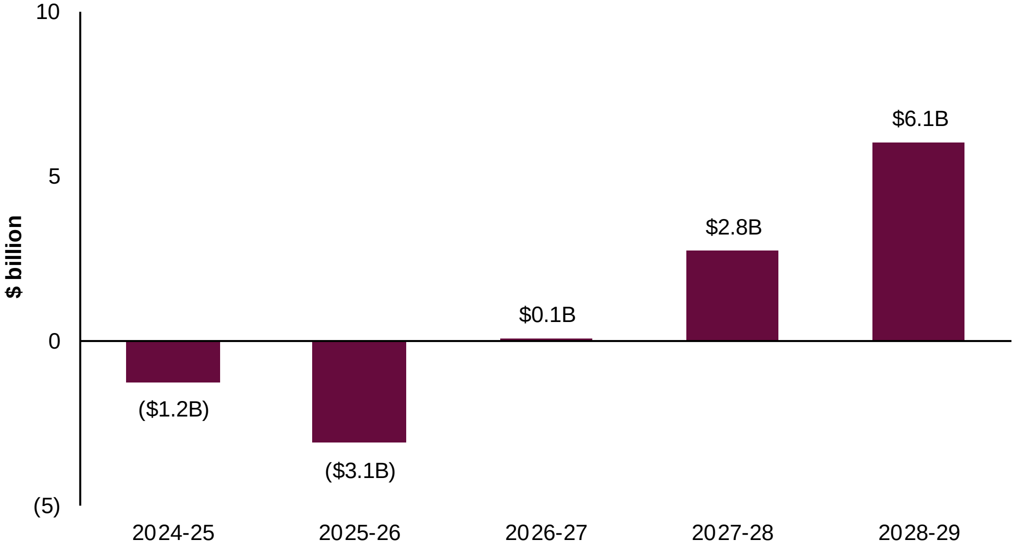
Net cash flows from investments in financial assets for policy purposes include net cash flows from disposal or return of equity, net equity injections into GOCs and concessional loans and advances. Cash flows from the injection of equity into the PNFC and PFC sectors are the primary driver of net outflows of $4.1 billion over the period from 2025–26 to 2028–29.

Net cash flows from investments in financial assets for liquidity purposes represent net investment in financial assets to cover liabilities such as superannuation and insurance, as well as deposits and withdrawals to or from a redraw facility with QTC and other specific investments.

From 2025–26 to 2028–29, liquidity purposes cash flows will include annual withdrawals of $1.4 billion from the Debt Retirement Fund to repay debt.

Total GGS purchases of non-financial assets (PNFA) of $13.370 billion are budgeted for 2024–25. Over the period from 2025–26 to 2028–29, GGS PNFA are expected to total $70.972 billion. Operating cash flows are positive from 2026–27 and by 2028–29 will fund 33 per cent of capital purchases.

Chart 5.2 General Government Sector net cash inflows from operating activities



The GGS cash deficit for 2024–25 is estimated to be $14.499 billion, which is $848 million lower than the deficit forecast at the 2024–25 MYFER.

A GGS cash deficit of $17.576 billion is forecast for 2025–26, reducing to an estimated deficit of $16.195 billion in 2027–28 and $12.429 billion in 2028–29. This is a significant improvement on the 2024–25 MYFER, which estimated a deficit of $22.058 billion in 2027–28.