4 Expenses

Features

- The 2025–26 Budget begins the task of resetting expenses growth onto a more sustainable path so that community outcomes are delivered, and legacy issues are addressed whilst maintaining a clear focus on maximising value.
- The 2024–25 Mid-Year Fiscal and Economic Review (MYFER) highlighted the extent of under-funding across the forward budget years in the areas of health, education, housing, child safety and support for victims of crime.
- General Government Sector expenses are estimated to be $99.918 billion in 2025–26, 5.3 per cent higher than the 2024–25 estimated actual.
- Total expenses are projected to grow at an average annual rate of 2.2 per cent over the 4 years to 2028–29, reflecting an intentionally disciplined approach to expense management. Expenses grew at 11.6 per cent per annum over the 3 years to 2023–24, including year-on-year expense growth of 16.1 per cent in 2023–24.
- In 2025–26, the major areas of expenditure are in the key frontline services of health and education, which account for more the 50 per cent of operating expenses, while additional funding has been provided in priority areas including community safety, housing and child safety.

4.1 2024–25 Estimated actual

General government expenses in 2024–25 are estimated to be $94.852 billion, $1.869 billion higher than the 2024–25 MYFER estimate. The increase is largely due to:

- additional natural disaster expenditure, mainly relating to events in 2024 and 2025 — the funding of which is shared with the Australian Government
- additional funding for critical housing, homelessness and child safety services
- expedited delivery of the Residential Activation Fund for trunk and essential infrastructure to activate new residential developments as part of the plan to deliver 1 million homes by 2044
- additional Australian Government funding for education, health and housing
- demand for health services, including elective surgeries
- reclassification of capital expenditure to operating expenses.

4.2 2025–26 Budget and outyears

Table 4.1 General Government Sector expenses[1]

	2023–24 Outcome $ 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
Employee expenses	33,264	35,417	36,194	37,964	39,274	40,623	42,064
Superannuation interest costs	789	828	824	791	713	642	591
Other superannuation expenses	4,071	4,393	4,366	4,650	4,818	4,974	5,077
Other operating expenses	25,901	26,833	26,908	27,339	25,857	25,147	25,356
Depreciation and amortisation	5,441	5,754	5,932	6,447	6,965	7,495	8,027
Other interest expenses	2,020	2,401	2,500	3,501	4,710	5,928	7,090
Grants expenses	16,601	17,358	18,128	19,226	18,413	17,224	15,338
Total Expenses	**88,087**	**92,983**	**94,852**	**99,918**	**100,751**	**102,033**	**103,543**

Note:

1. Numbers may not add due to rounding.

General government expenses are projected to be $99.918 billion in 2025–26, an increase of $5.066 billion (or 5.3 per cent) over the 2024–25 estimated actual. Factors driving the uplift in expenses are:

- delivery of critical health services
- additional funding under the *Better and Fairer Schools Agreement – Full and Fair Funding* and associated Bilateral Agreement
- reforming the residential care system and protecting the most vulnerable children
- funding for crisis accommodation and a range of housing and homelessness services
- additional funding to maintain frontline police services
- financial support for victims of crime
- delivering priority actions under the *Destination 2045: Delivering Queensland's Tourism Future*.

The government has reviewed the funding shortfalls across frontline services identified in the 2024–25 MYFER and taken measures to address these in the 2025–26 Budget. An assessment of under-funded legacy issues and whole-of-government savings incorporated into the Budget at MYFER has been factored into revised funding levels and future expense growth rates to ensure the security of service delivery and employment, and a return to a fiscally sustainable position in the medium term.

Given the quantum of under-funded services addressed in this Budget, and the rigorous assessment of new funding bids, individual agency savings targets have not been applied.

General Government Sector expenses growth falls from 5.3 per cent in 2025–26 to an average annual growth of 2.2 per cent over the 4 years to 2028–29. Excluding disaster recovery expenses which fall significantly over time, the comparable average annual expenses growth is 2.7 per cent.

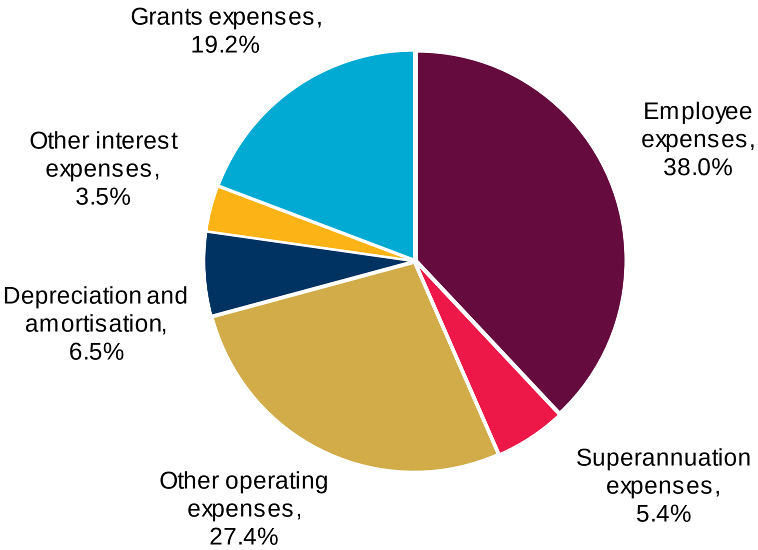
Expenditure growth eases from 2026–27 as employee expenses, the sector's largest expense category, are contained to a more sustainable average annual rate of 3.5 per cent over the remaining forward estimates. Grant expenses decline as disaster recovery works are completed.

An ongoing program of work will continue across government to identify operating efficiencies which will support agencies to keep expense growth to sustainable levels in the years ahead. Such measures include capping of non-frontline senior executive roles at current levels, implementing greater oversight of agency expense management, identification of greater value for money through procurement and establishment of Queensland Government Consulting Services (QGCS) to flatten the growth trajectory of government expenditure on consultants and contractors.

4.3 Expenses by operating statement category

As Chart 4.1 shows, employee-related expenses are the largest component of General Government Sector expenses, accounting for 38 per cent of total operating expenditure. Other operating expenses at 27.4 per cent is the next largest category, reflecting non-labour costs associated with providing goods and services to government and non-government recipients including, for example, repairs and maintenance, transport service contract payments to Queensland Rail, subsidies to households and payments to contractors and consultants.

Chart 4.1 Expenses by operating statement category, 2025–26



4.3.1 Employee expenses

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

Employee expenses are projected to be $37.964 billion in 2025–26, $1.77 billion or 4.9 per cent higher than the 2024–25 estimated actual. Employee expenses growth represents the combined increase in full-time equivalent (FTE) employees and forecast wage rates.

An effective public service relies on attraction and retention through competitive remuneration and conditions balanced against prudent management of the growth in operating expenses, settings that are reflected in the government’s wage offer for the current bargaining cycle.

Headline wage policy growth has historically moved in line and kept pace with inflation. However, since 2019–20 average remuneration of Queensland public service employees has grown much faster. This measure is impacted by a number of factors, including the composition of the workforce.

Full-time equivalents

The 2025–26 Budget has been developed to deliver a safe and secure pathway towards fiscal improvement, whilst also providing funding certainty needed to deliver more and better services to Queenslanders by addressing legacy funding issues identified in the 2024–25 MYFER. Government is providing the funding certainty to engage the public servants needed to deliver more and better services to Queenslanders, right across the state.

Approved funded FTE positions across government departments (refer Table 4.2) are estimated to increase by 6,073 (or 2.2 per cent) in 2025–26, driven principally by increases in Queensland Health, the Department of Education and Queensland Police Service.

The Public Sector Commission (PSC) has primary responsibility for monitoring the number of FTEs and collating key human resource workforce metrics across the whole-of-sector (consisting of the agencies outlined in Table 4.2 plus selected other entities).

The PSC's annual State of the Sector report provides a summary of the Queensland whole-of-sector workforce as at the March quarter each year. The 2025 State of the Sector report shows that:

- there was a total of 270,884 FTEs, representing an increase of 12,872 FTEs, or almost 5 per cent, since March 2024
- the increase reflects growth of 12,040 FTEs in frontline and frontline support roles and 832 FTEs in non-frontline roles
- in total, 90.8 per cent of public servants are engaged in frontline and frontline support roles, with 24,911 FTEs in corporate service roles.

It is noted that the reporting basis of the State of the Sector report reflects active and paid FTEs engaged at March 2025 while FTEs levels reported in Table 4.2 reflect approved funded FTE positions for the financial year.

Table 4.2 Funded Controlled FTE positions by Department[1]

	2024–25 Adjusted Budget[2]	2024–25 Est. Act.	2025–26 Budget
Customer Services, Open Data and Small and Family Business[3]	2,010	1,955	3,300
Education	77,602	77,655	78,148
Electoral Commission of Queensland	88	88	91
Environment, Tourism, Science and Innovation	3,102	3,119	3,106
Families, Seniors, Disability Services and Child Safety	5,650	5,851	5,940
Housing and Public Works	4,406	4,409	4,638
Justice	4,549	4,683	4,623
Local Government, Water and Volunteers	812	833	836
Natural Resources and Mines, Manufacturing and Regional and Rural Development	1,552	1,555	1,536
Office of the Inspector-General Emergency Management	22	22	22
Premier and Cabinet	507	535	534
Primary Industries	2,791	2,833	2,956
Public Sector Commission	100	100	90
Queensland Corrective Services	8,299	8,448	8,274
Queensland Fire Department	4,207	4,191	4,230
Queensland Health	110,837	114,734	119,438
Queensland Police Service	19,367	19,495	19,791
Queensland Treasury	1,944	1,926	1,983
Sport, Racing and Olympic and Paralympic Games	465	464	445
State Development, Infrastructure and Planning	1,804	1,829	1,865
The Public Trustee of Queensland	635	635	635
Trade, Employment and Training	4,930	4,922	4,924
Transport and Main Roads[3]	8,022	8,078	6,850
Women, Aboriginal and Torres Strait Islander Partnerships and Multiculturalism	455	459	432
Youth Justice and Victim Support	2,437	2,460	2,665
Total	**266,593**	**271,279**	**277,352**

Notes:

1. Explanations for variances in departmental FTEs can be found in the Service Delivery Statements (SDS). Department total 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.
3. The increase in Customer Services, Open Data and Small and Family Business and reduction in Transport and Main Roads is largely attributable to the transfer of the Customer Services function (1,345 FTEs transferred).

4.3.2 Superannuation expenses

The superannuation interest cost represents the imputed interest on the government's accruing defined benefit superannuation liabilities.

The state's defined benefit superannuation liabilities are valued in accordance with the Australian Accounting Standards Board 119 *Employee Benefits* which requires the discounting of future benefit obligations using yield rates on government bonds. 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 rate at the beginning of the year. Superannuation interest costs are forecast to decline over the forward estimates. The defined benefit scheme is closed to new members and will progressively decline as members leave.

Other superannuation expenses represent employer superannuation contributions to accumulated superannuation and the current service cost of the state's defined benefit obligations (or the increase in the present value of the defined benefit obligation resulting from employee service in the current period). This amount increases steadily across the forward estimates at a comparable rate to forecast employee expenses growth.

4.3.3 Other operating expenses

Other operating expenses comprise non-labour costs necessary for the operation and delivery of government services. These costs include repairs and maintenance, information technology and communication services, water, electricity, consultants and procurement of outsourced service delivery by contractors.

In 2025–26, other operating expenses are estimated to total $27.339 billion, representing an increase of $431 million or 1.6 per cent compared to the 2024–25 estimated actual. The increase largely reflects essential service delivery commitments including:

- transport service contract payments to Queensland Rail for rail services
- operating costs incurred in the delivery of transport infrastructure
- school operating costs
- law and order services.

Other operating expenses are forecast to decline over the next 2 financial years before increasing moderately in 2028–29. Expenses growth is forecast to moderate as improved efficiency in service delivery initiatives gain traction. Completion of works associated with the delivery of Cross River Rail is also expected to contribute to lower growth over the remainder of the forward estimates.

The government is committed to reducing reliance on consultants and contractors by establishing QGCS.

Box 4.1 Queensland Government Consulting Services

Established 1 July 2025 as a new business unit of Queensland Treasury Corporation

To give effect to the recommendations of the Coaldrake Review, the government is committed to reducing reliance on external consultants and contractors and enhancing capacity and capability across the public service.

QGCS will offer a world class source of quality advice, delivering on the government's election commitment.

QGCS will be established on 1 July 2025 as a new business unit of Queensland Treasury Corporation.

$15 million over 2 years will be allocated to support initial establishment, recruitment and operating costs, until QGCS becomes self-sustaining.

QGCS is one measure designed to reduce government spending on external contractors and consultants. In addition, a disciplined approach to engaging external advisors and delivering capital investments on time and on budget will also come into effect.

As reported by the Queensland Audit Office (QAO) in Report No. 11 (2024–25) State entities 2024, spending on external consultants and contractors increased from approximately $2.1 billion in 2020–21 to $3.7 billion in 2023–24, a Compound Annual Growth Rate of over 20 per cent. On this trajectory, total spending on external consultants and contractors could have reached $4.5 billion by 2024–25. Based on analysis of spending to March 2025, and pro-rated for the full year, the estimated consultant and contractor spend is $4.0 billion.

Identifying efficiencies in the delivery of major projects, such as pumped hydro energy storage, is also expected to yield savings. The abovementioned QAO report identified that expenditure on contractors and consultants represented more than 30 per cent of total construction costs.

4.3.4 Depreciation and amortisation

Depreciation and amortisation expenses are an estimate of the progressive consumption of the state's assets through normal usage, wear and tear and obsolescence.

Depreciation and amortisation expenses are projected to be $6.447 billion in 2025–26 and are forecast to grow over the forward estimates, effectively reflecting recent asset revaluations and the state's capital program.

4.3.5 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, hospitals, state schools and social and affordable housing.

Interest expenses are expected to rise across the forward estimates in line with increased borrowings. By 2027–28, the interest to revenue ratio is forecast to be 6.1 per cent, which compares favourably to the interest to revenue ratio of 6.9 per cent in the 2024–25 MYFER.

4.3.6 Grants expenses

The government provides recurrent and capital grants to non-government recipients. Recurrent grants are provided to support government service delivery or provide targeted assistance to specific recipient groups. Capital grants are provided to support infrastructure projects or transfer infrastructure assets. Table 8.12 provides further details.

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.

Recurrent grants are expected to total $14.131 billion in 2025–26, representing an increase of $1.007 billion compared to payments in the 2024–25 estimated actual. The increase reflects higher on-passed Australian Government grant payments for Financial Assistance Grants to local councils and to non-government schools, as well as community recovery grants for recent natural disasters and financial assistance to victims of crime.

Capital grants represent transfers to the PNFC Sector, local governments, not-for-profit institutions and non-state schools, businesses and households (including the First home owner grant) for capital purposes.

In 2025–26, capital grant expenses are estimated to total $5.094 billion, before declining substantially in 2027–28 and 2028–29. The impact from 3 severe weather events in 2025 has resulted in a substantial increase in disaster recovery funding to affected local council areas across the state for damaged infrastructure. As detailed in Table 2.3, disaster expenses, mainly capital grants to local councils, decrease significantly in 2027–28, with recovery works largely completed by 2028–29. Disaster expenditure is jointly shared between the Australian Government and the States.