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.
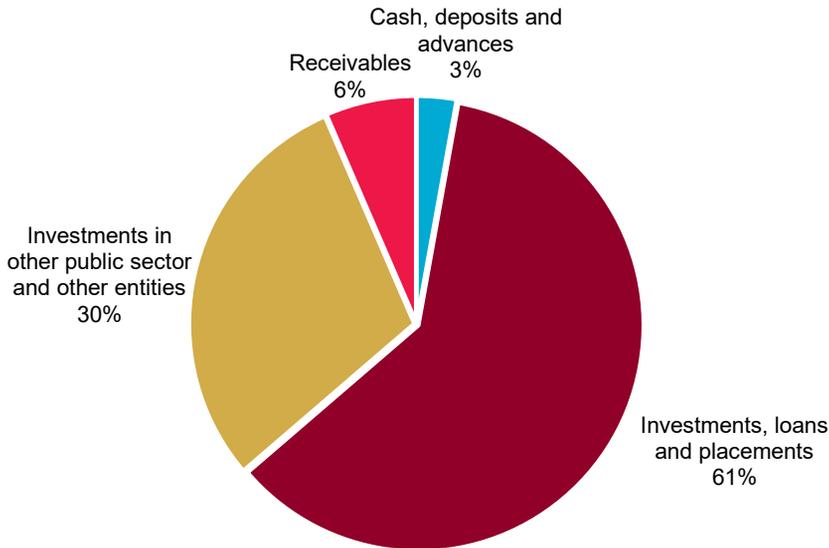
Total financial assets of $71.422 billion are estimated for 2021–22, $3.375 billion higher than published in the 2021–22 Budget. Investments, loans and placements have increased by $5.946 billion since the 2021–22 Budget, predominantly due to positive market value adjustments on financial assets in 2020–21 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

Cash, deposits and advances
3%

Receivables
6%

Investments in other public sector and other entities
30%

Investments, loans and placements
61%

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
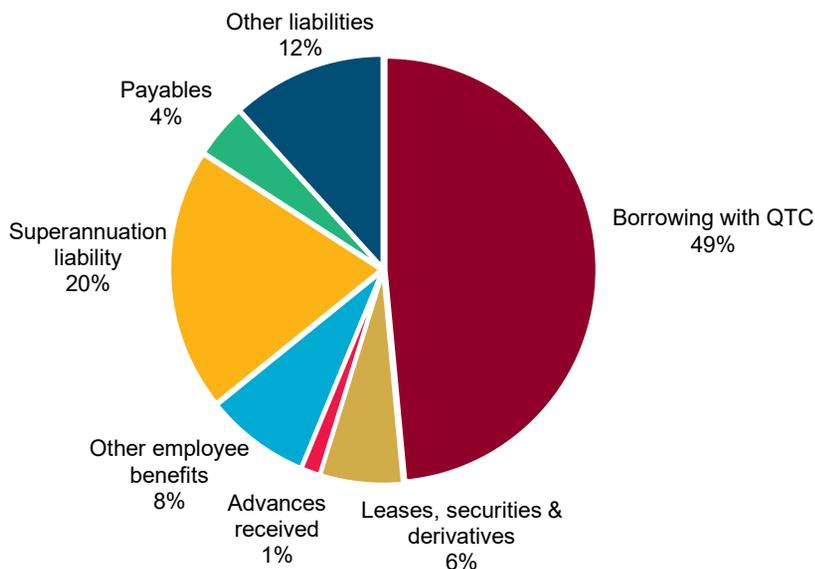
Non-financial Public Sector borrowing

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.

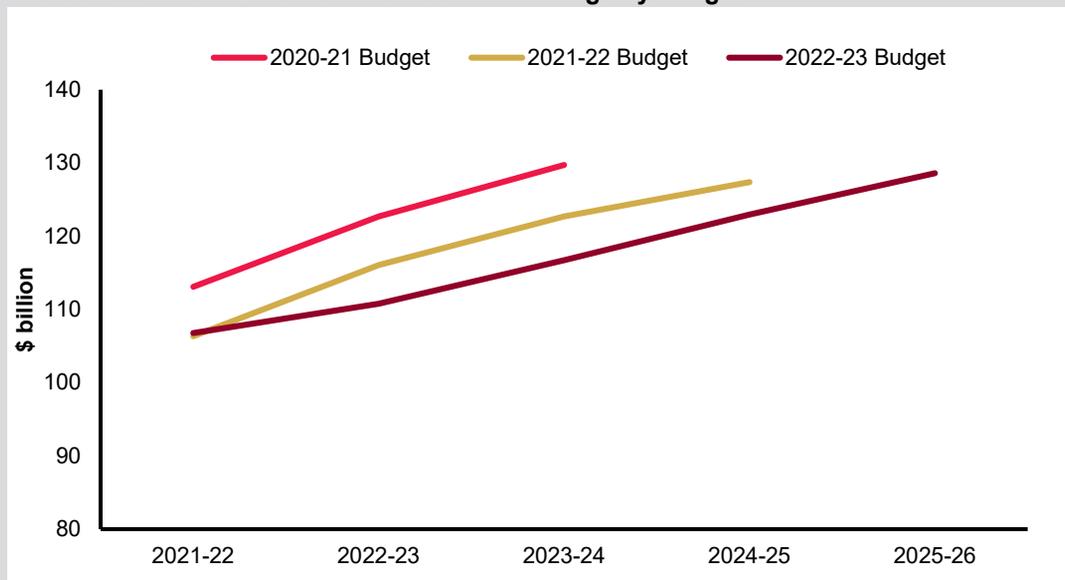**Chart 6.3   Non-financial Public Sector borrowings by budget**

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 Paralympic Games.