

5 Expenses

Features

- Expenses for 2022–23 are estimated to be \$74.915 billion, an increase of \$4.095 billion on 2021–22. The increase is due to the Queensland Government’s significant boost to the health system (including mental health services), school based education initiatives, support for child protection services and the response to the Queensland Women’s Safety and Justice Taskforce *Hear her voice – Report one – Addressing coercive control and domestic family violence in Queensland*, a significant disaster recovery, resilience and reconstruction program and a \$175 Cost of Living Rebate on Queensland households’ power bills at a cost of \$385 million.
- Beyond 2022–23, growth in General Government Sector expenses is expected to moderate.
- Total expenses are projected to grow at an average annual rate of 4.1 per cent over the 5 years to 2025–26, below average annual revenue growth of 4.5 per cent over the same period.
- In 2022–23, the major areas of expenditure are in the key frontline services of health and education, which together constitute approximately 54.3 per cent of General Government Sector expenses.

This chapter provides an overview of General Government Sector expenses for the forecast 2022–23 budget year and projections for 2023–24 to 2025–26. The forward estimates are based on the economic projections outlined in Chapter 2.

5.1 2021–22 estimated actual

General Government Sector expenses in 2021–22 are estimated at \$70.820 billion. The increase compared to 2020–21 is due in large part to the ongoing COVID-19 health response and business support grants and payments to non-government schools and local councils. Following the rollout of the vaccines and lifting of border restrictions, Queensland is transitioning to the post COVID-19 phase in 2022–23.

In 2021–22, General Government Sector expenses are estimated to be \$1.093 billion higher than the 2021–22 Budget Update.

The increase in expenses since the 2021–22 Budget Update is largely driven by:

- advance payments being made to councils in relation to revenue collected from the waste disposal levy
- the Australian Government’s advance payment of financial assistance grants to local governments in 2021–22 for the 2022–23 financial year

- the response to pressures arising from the increase in demand for out-of-home care services in the child protection system
- a range of school education related initiatives and increased funding under the National School Reform Agreement and associated Bilateral Agreement
- disaster relief payments including personal hardship, primary producer and small business payments following the significant 2021–22 disaster season under the Disaster Recovery Funding Arrangements (DRFA) in partnership with the Australian Government.

5.2 2022–23 Budget and outyears

Table 5.1 General Government Sector expenses¹

	2020–21 Outcome \$ million	2021–22 Est. Act. \$ million	2022–23 Budget \$ million	2023–24 Projection \$ million	2024–25 Projection \$ million	2025–26 Projection \$ million
Employee expenses	26,501	27,931	30,076	31,253	32,665	33,657
Superannuation interest costs	246	378	655	633	655	653
Other superannuation expenses	3,073	3,421	3,493	3,676	3,811	3,983
Other operating expenses	16,335	19,002	19,805	19,493	18,868	18,935
Depreciation and amortisation	4,187	4,474	4,652	4,806	4,985	5,190
Other interest expenses	1,619	1,563	1,826	2,242	2,576	2,887
Grants expenses	11,709	14,051	14,407	14,013	13,030	12,530
Total Expenses	63,669	70,820	74,915	76,116	76,591	77,836
Note:						
1. Numbers may not add due to rounding.						

General Government Sector expenses of \$74.915 billion in 2022–23 represent an increase of \$4.095 billion (or 5.8 per cent) over 2021–22. Key initiatives contributing to the growth in expenditure in 2022–23 include:

- additional funding for Queensland’s health system to meet the ongoing growth in demand for public hospital and health services, including mental health services
- funding for a range of school education related initiatives, funding to support kindergartens, and additional funding under the National School Reform Agreement and associated Bilateral Agreement
- a significant disaster relief program of works under the DRFA following the South East Queensland Rainfall and Flooding 22 February – 5 April 2022 event, in partnership with the Australian Government
- \$385 million to provide a \$175 Cost of Living Rebate on Queensland households’ power bills

- responding to ongoing pressures arising from an increase in demand in the child protection system
- delivering the Queensland Government’s response to the Queensland Women’s Safety and Justice Taskforce *Hear her voice – Report one – Addressing coercive control and domestic family violence*.

Growth in General Government Sector expenses is expected to moderate over the remaining forward estimates as the government remains committed to its Fiscal Principle 2 and return to operating surplus by 2024–25.

5.3 Expenses by operating statement category

As outlined in Chart 5.1, employee and superannuation expenses account for 45.7 per cent of total General Government Sector expenses. Other operating expenses (26.5 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, 2022–23

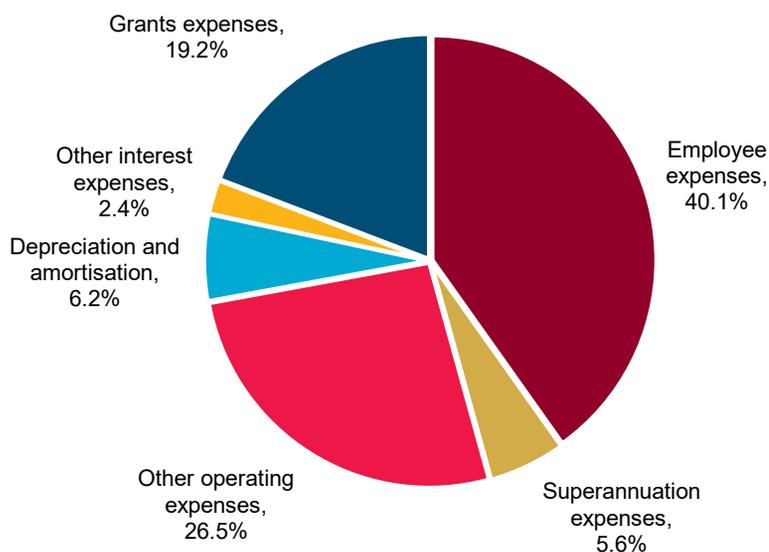
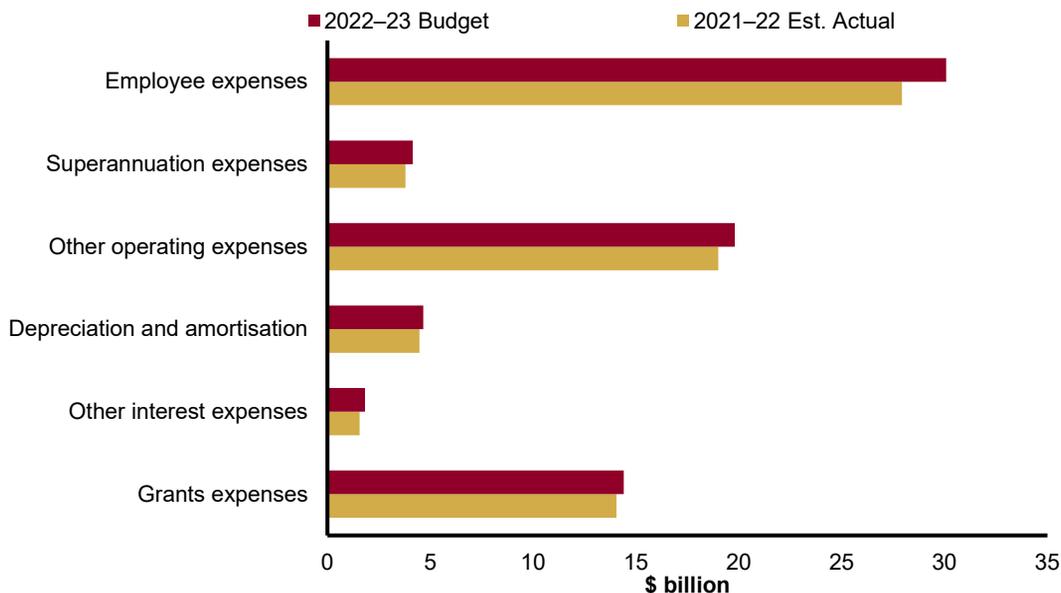


Chart 5.2 compares 2022–23 budget and 2021–22 estimated actual expenses by operating statement category.

Chart 5.2 Expenses by operating statement category – 2022–23 budget estimate and 2021–22 estimated actual



5.3.1 Employee expenses

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

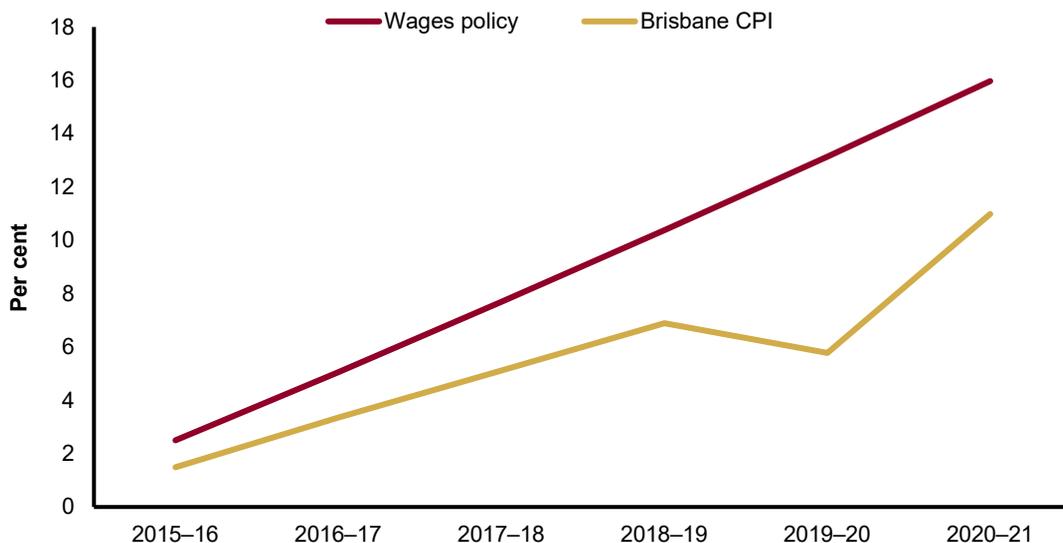
In 2022–23, employee expenses are expected to be \$30.076 billion, \$2.145 billion or 7.7 per cent higher than the 2021–22 estimated actual.

Employee expenses growth over the forward estimates is broadly in line with population growth, government election commitments towards supporting frontline services, and wages policy. Wage increases are assumed to be consistent with existing agreements and an allowance for future bargaining agreements.

With several key public sector bargaining agreements nominally expiring during 2022, the Government is committed to participating in good faith bargaining to establish wage increases for the next period, taking into account the prevailing economic environment. Previous and current public sector enterprise bargaining agreements were established based on a public sector wages policy, including 2.5 per cent per annum wage increases. Chart 5.3 compares the cumulative growth in wages policy since 2015–16 with the Brisbane Consumer Price Index. Public sector wage growth exceeded cost of living increases over that period. Over the six years to 2020–21, wages under the wages policy increased by 16 per cent, whereas inflation rose by 11 per cent.

While wage increases were deferred in 2020 due to the financial pressures of the COVID-19 pandemic, all affected public sector agreements incorporated an additional 2.5 per cent wage increase at a later date to ensure there was no ongoing impact for public sector employees.

Chart 5.3 Comparison of cumulative growth – wages policy and Brisbane CPI



Sources: ABS Consumer Price Index and Queensland Treasury

Full-time equivalents

The government is delivering on its commitment to revitalise frontline service delivery. This has contributed to full time equivalents (FTE) increasing 40,692.28 FTE (or 20.44 per cent) from 2014–15 to 2021–22.

Between March 2015 and March 2022:

- teachers increased by 5,788 (or 13.75 per cent)
- teacher aides increased by 1,377 (or 14.78 per cent)
- nurses increased by 10,638 (or 38.10 per cent)
- health practitioners increased by 5,077 (or 51.38 per cent)
- doctors increased by 3,106 (or 39.16 per cent)
- ambulance officers increased by 1,103 (or 29.71 per cent)
- police officers increased by 733 (or 6.52 per cent)
- firefighters increased by 204 (or 8.49 per cent).

As at March 2022, 91.59 per cent of public servants are engaged in frontline and frontline support roles, with 20,339 FTE in corporate service roles.

The government is also committed to ensuring that public service staff are located where there is demand. Around 47 per cent of FTE 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.

FTE are estimated to increase by around 8,175 in 2022–23, driven principally by increases in health, education and other frontline services, including police and child safety.

In keeping with Savings and Debt Plan goals, total sector FTE levels continue to be actively managed through approved agency FTE caps. Unutilised FTE positions have been reallocated to resource new priority functions through the whole-of-government pool of unallocated FTE (FTE Pool), where they cannot be managed within an agency's existing FTE levels. The FTE Pool has been fully utilised to support the setting of FTE levels for 2022–23.

Temporary restrictions on non-frontline recruitment activity have ceased, giving agencies flexibility to manage within approved FTE caps. Central oversight of external recruitment to senior executive service positions will continue to ensure close management of the senior executive cohort.

The Public Service Commission publishes a bi-annual Queensland Public Sector Workforce Profile, which includes specific reporting of agencies listed in Table 5.2. The March 2022 workforce profile reports a total of 239,737.20 FTE for these agencies, an increase of 3,253.90 FTE since September 2021. The increase reflects growth of 2,776.94 FTE frontline and frontline support roles and 476.96 FTE non-frontline roles. It is noted that the reporting basis of the workforce profile reflects active FTE engaged at March 2022 while FTE levels reported in Table 5.2 reflect approved funded FTE positions for the financial year.

Table 5.2 Funded Controlled FTE positions by Department¹

	2021–22 Adjusted Budget ³	2021–22 Est. Act.	2022–23 Budget ⁴
Agriculture and Fisheries	2,108	2,108	2,108
Children, Youth Justice and Multicultural Affairs	5,286	5,280	5,384
Communities, Housing and Digital Economy	3,590	3,573	3,518
Education	75,706	75,676	76,774
Electoral Commission of Queensland	76	76	81
Employment, Small Business and Training	4,576	4,566	4,778
Energy and Public Works	2,319	2,303	2,303
Environment and Science	2,841	2,839	2,863
Justice and the Attorney-General	3,628	3,634	3,792
Office of the Inspector-General Emergency Management	22	22	22
Premier and Cabinet	455	450	474
Public Service Commission	64	64	64
Queensland Audit Office	191	191	191
Queensland Corrective Services	6,599	6,597	6,606
Queensland Fire and Emergency Services	3,809	3,808	3,901
Queensland Health	99,266	99,480	105,686
Queensland Police Service	16,920	16,923	17,548
Queensland Treasury	1,291	1,278	1,258
Regional Development, Manufacturing and Water Resources	586	589	602
Seniors, Disability Services, and Aboriginal and Torres Strait Islander Partnerships	1,550	1,531	1,425
State Development, Infrastructure, Local Government and Planning	1,961	1,959	1,903
The Public Trustee of Queensland	993	986	974
The Public Trustee of Queensland	637	637	606
Tourism, Innovation and Sport	467	463	472
Transport and Main Roads	467	463	472
Other ²	7,489	7,488	7,498
Other ²	40	135	..
Total	242,470	242,656	250,831

Notes:

1. Departmental FTE can also be found in the Service Delivery Statements (SDS).
2. Other relates to whole-of-government unallocated FTE pool established in the 2021–22 Budget. The FTE pool has been fully utilised to support resourcing of approved functions in the 2022–23 Budget.
3. Adjusted Budget reflects movements of FTE following Machinery of Government changes only.
4. In addition to the FTE positions outlined above, a Norfolk Island Taskforce has been established to support Queensland’s delivery of services on Norfolk Island and the implementation of the *Intergovernmental Partnership Agreement on State Service Delivery to Norfolk Island*. This includes up to 28 FTE across Queensland Health, the Department of Education and the Department of the Premier and Cabinet. These FTE are fully funded by the Australian Government.

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. Rate increases in 2021–22 are resulting in higher superannuation interest cost in 2022–23.

Bond yields are forecast to rise over the forward estimates increasing superannuation interest costs by \$277 million in 2022–23. The impact on superannuation interest costs from rising government bond yields in the latter part of the forward estimates is largely offset by the declining defined benefit superannuation liability. 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 accumulated 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.

The Queensland Government provides additional funding to departments each year to enable appropriate indexation of service delivery arrangements with community services sector organisations in recognition of increasing costs. The non-government organisation indexation rate, on which this funding is calculated, is 2.88 per cent in 2022–23.

In 2022–23, other operating expenses are expected to be \$19.805 billion, an increase of \$803 million, or 4.2 per cent, compared to the 2021–22 estimated actual.

The increase in other operating expenses is driven mainly by:

- school education-related initiatives and additional funding under the National School Reform Agreement and associated Bilateral Agreement
- the \$175 Cost of Living Rebate on Queensland households' power bills, at a cost of \$385 million in 2022–23
- ongoing pressures arising from increased demand for out-of-home care services within the child protection system

- an increase in transport funding including higher Transport Service Contract payments to Queensland Rail.

The growth in other operating expenses in 2022–23 is partly offset by lower health expenditure as the need for the COVID-19 response and quarantine services largely conclude in 2021–22.

Other operating expenses are expected to decline from 2023–24, partly reflecting the \$385 million Cost of Living Rebate payment made in 2022–23 and a reduction in project works as the Cross River Rail project draws 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.

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 \$263 million in 2022–23 to \$1.826 billion compared to \$1.563 billion in 2021–22 as borrowing with QTC increases to fund the larger capital program.

Other interest expenses are estimated to be lower in 2021–22 and 2022–23 compared to 2021–22 Budget Update due to the improved net cash flows from operating activities from upward revisions to taxation and royalty revenue.

Rising interest rates result in higher interest costs from 2023–24 compared to the 2021–22 Budget Update.

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 8).

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 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 Grant expenses¹

	2020–21 Outcome \$ million	2021–22 Est. Act. \$ million	2022–23 Budget \$ million
Current			
Grants to local government ²	716	1,663	325
Grants to private and not-for-profit organisations			
State funding for non-state schools	754	819	829
Australian Government funding for non-state schools	3,176	3,627	3,818
Other	1,852	2,558	2,783
Grants to other sectors of government			
Community service obligations to PNFCs	474	551	659
Other payments to PNFCs	68	120	87
Other (includes payments to NDIA)	2,101	2,039	2,141
Other	433	449	839
Total current grants	9,574	11,826	11,481
Capital			
Grants to local government	1,048	1,266	1,956
State funding for non-state schools	102	118	120
Grants to private and not-for-profit organisations	492	422	449
Payments to PNFCs	43	20	65
Queensland First Home Owners' Grants	183	145	96
Other	267	254	241
Total capital grants	2,135	2,225	2,927
Total current and capital grants	11,709	14,051	14,407
Notes:			
1. Numbers may not add due to rounding.			
2. Current grants to local governments decrease in 2022–23 compared to 2021–22 due to the advance payment by the Australian Government of Financial Assistance Grants for the 2022–23 financial year on-passed to local councils, and payments made in relation to waste disposal levy in 2021–22.			

In 2021–22, grants expenses are estimated to total \$14.051 billion, \$2.342 billion or 20 per cent higher than 2020–21. This increase is mainly due to:

- payments being made to local councils in 2021–22 in relation to revenue collected from the waste disposal levy
- Australian Government's advance payment of financial assistance grants to local governments in 2021–22 for the 2022–23 financial year
- higher Australian Government grants on-passed to non-government schools
- disaster relief payments including personal hardship payments under the DRFA in partnership with the Australian Government, following the 2021–22 disaster season

- COVID-19 Business Support Grants program (incorporating Tourism and Hospitality Sector Hardship grants) to support Queensland businesses impacted by the August 2021 COVID-19 lockdowns.

In 2022–23, total grant expenses are estimated to be \$14.407 billion, \$356 million higher than 2021–22. This increase is mainly due to:

- the significant cost of recovery, reconstruction and resilience programs under the DRFA in partnership with the Australian Government, following the substantial flooding in South East Queensland in 2021–22. Further details are discussed in Chapter 3.
- higher Australian Government grants on-passed to non-government schools
- higher CSO payments to Energy Queensland Limited to ensure that, where possible, all Queensland electricity customers of a similar type pay a similar price for electricity, regardless of where they live.

These higher grants in 2022–23 are partly offset by the Australian Government again making advance payment of the 2022–23 Financial Assistance Grants to local councils in 2021–22, the COVID-19 Business Support grants program expiring in 2022 and substantial waste levy payments made to local councils in 2021–22.

5.4 Operating expenses by purpose

Chart 5.4 indicates the proportion of expenditure by major purpose classification for the 2022–23 Budget. Health accounts for the largest share of expenses (30 per cent) followed by Education (24.3 per cent).

In 2022–23, the substantial disaster relief payments under the DRFA increase the Social protection, housing and other community services function's relative share of total General Government Sector expenses comparative to most other expenditure classification by purpose.

Excluding disaster payments, the health and education functions account for 55.6 per cent of the total General Government Sector expenses in 2022–23.

Chart 5.4 General Government Sector expenses by purpose, 2022–23

