

## 6 Balance sheet and cash flows

### Features

- The increase in revenue is providing capacity to reinvest in the economy and service capacity while still keeping General Government Sector borrowings lower in 2025–26.
- General Government Sector net debt at 30 June 2023 is forecast to be \$5.852 billion. This is less than half of what was expected at the time of the 2022–23 Budget.
- Net Debt in the General Government Sector is expected to be lower in every year of the forward estimates compared to estimates in the 2022–23 Budget.
- By 2025–26, Queensland's forecast net debt of \$37.648 billion is around one quarter of the latest available estimate of \$162.202 billion for Victoria (2023–24 Budget) and less than half of \$116.505 billion (latest estimate, 2022–23 Half-Yearly review) for New South Wales.
- Forecast borrowings for 2023–24 have been progressively revised down since the 2021–22 Budget, consistent with prudent management of revenue improvements from unusually high commodity prices.
- As the Queensland Government continues to support jobs and economic growth, borrowing will grow over the forward estimates but is still expected to be \$2.158 billion lower by 2025–26 than at the time of the 2022–23 Budget, and is expected to be \$9.542 billion lower by 2024–25 than at the time of the 2021–22 Budget.
- The capital program over the 4 years to 2026–27 totals \$89 billion. The profile of the capital program over the forward estimates includes public infrastructure investment in projects associated with the *Queensland Energy and Jobs Plan* (QEJP), delivering the health capacity expansion announced in the 2022–23 Budget, providing critical water infrastructure and preparing for the Brisbane 2032 Olympic and Paralympic Games.
- The Non-financial Public Sector (NFPS) capital program for the period 2023–24 to 2026–27 comprises \$76.905 billion of purchases of non-financial assets (PNFA), \$9.768 billion of capital grant expenses and acquisitions of non-financial assets under finance leases and similar arrangements of \$2.055 billion.
- Positive NFPS operating cash flows of \$48.118 billion are projected from 2022–23 to 2026–27. This will fund 53.2 per cent of the \$90.507 billion PNFA over the same period.
- The net worth of the state has increased in 2022–23 by over \$50 billion compared to the 2022–23 Budget estimates. The increase is due to the increase in the value of non-financial assets and investments, and improved operating position resulting in lower borrowings in 2022–23.

## 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 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<sup>1</sup>**

	2022–23 Budget \$ million	2022–23 Est. Act. \$ million	2023–24 Budget \$ million	2024–25 Projection \$ million	2025–26 Projection \$ million	2026–27 Projection \$ million
Financial assets	76,000	79,580	84,347	87,778	91,246	94,751
Non-financial assets	261,316	297,064	304,312	314,265	322,951	331,199
<b>Total assets</b>	<b>337,316</b>	<b>376,644</b>	<b>388,659</b>	<b>402,043</b>	<b>414,197</b>	<b>425,950</b>
Borrowings	66,459	54,693	65,479	76,040	85,127	94,814
Advances	1,745	1,782	1,734	1,818	2,236	2,184
Superannuation liability	24,069	21,205	20,827	20,075	19,047	17,752
Other provisions and liabilities	28,790	29,753	29,845	30,209	30,521	30,120
<b>Total liabilities</b>	<b>121,062</b>	<b>107,434</b>	<b>117,886</b>	<b>128,142</b>	<b>136,930</b>	<b>144,870</b>
<b>Net worth</b>	<b>216,254</b>	<b>269,210</b>	<b>270,774</b>	<b>273,900</b>	<b>277,266</b>	<b>281,080</b>
<b>Net financial worth</b>	<b>(45,062)</b>	<b>(27,853)</b>	<b>(33,538)</b>	<b>(40,365)</b>	<b>(45,685)</b>	<b>(50,119)</b>
<b>Net financial liabilities</b>	<b>67,517</b>	<b>52,570</b>	<b>61,953</b>	<b>73,129</b>	<b>81,905</b>	<b>89,603</b>
<b>Net debt</b>	<b>19,772</b>	<b>5,852</b>	<b>16,190</b>	<b>28,074</b>	<b>37,648</b>	<b>46,934</b>
Note:						
1. Numbers may not add due to rounding.						

## 6.2.1 Financial assets

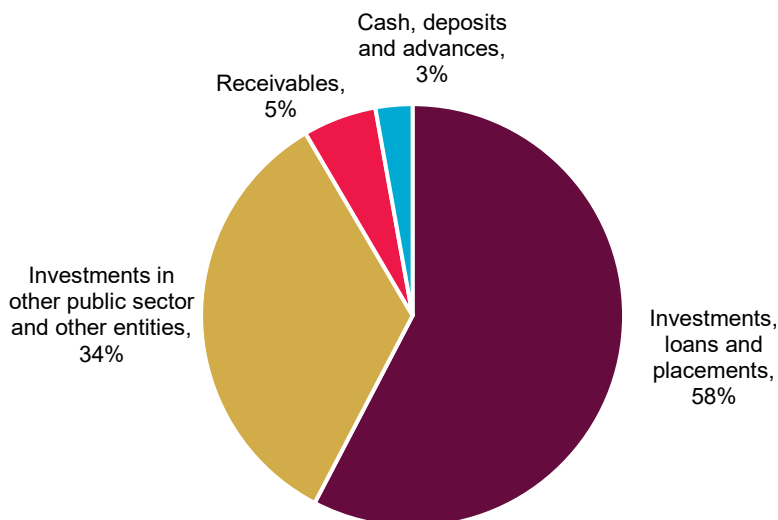
The major categories of financial assets are investments, loans and placements and investments in other public sector entities. Investments, loans and placements incorporate investments held to meet future liabilities, including superannuation and insurance, as well as investments relating to the Queensland 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 \$79.580 billion are estimated for 2022–23, \$3.580 billion higher than published in the 2022–23 Budget. Investments, loans and placements have increased by \$2.063 billion since the 2022–23 Budget, predominantly due to setting aside investments to support the Housing Investment Fund and Queensland’s energy transformation, partly offset by market value adjustments. The investments set aside for delivering affordable and reliable energy for Queenslanders are budgeted to be largely drawn down and rolled out to GOCs as equity contributions over the forward estimates.

As the value of GOCs increases due to capital investment and revaluations, total financial assets are expected to increase by \$4.767 billion to \$84.347 billion by 30 June 2024. 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 reach \$94.751 billion by 30 June 2027.

Chart 6.1 shows forecast General Government Sector financial assets by category at 30 June 2024.

**Chart 6.1 Forecast General Government Sector financial assets by category, at 30 June 2024**



## 6.2.2 Non-financial assets

General Government Sector non-financial assets are estimated to be \$297.064 billion at 30 June 2023, \$35.748 billion higher than expected in the 2022–23 Budget.

Non-financial assets in 2023–24 are expected to increase by a further \$7.248 billion to be \$304.312 billion at 30 June 2024.

Total non-financial assets at 30 June 2024 consist primarily of land and other fixed assets of \$296.744 billion, the majority of which are roads, schools, hospitals and other infrastructure. Other non-financial assets of \$7.568 billion held by the state include prepayments and deferred income tax assets relating to GOCs.

General Government Sector capital expenditure for 2023–24 is forecast to be \$13.674 billion, which comprises \$9.347 billion of PNFA and \$4.327 billion of capital grant expenses. In addition, acquisitions of non-financial assets under finance leases and similar arrangements are forecast to be \$814 million, bringing the General Government Sector capital program for 2023–24 to \$14.488 billion.

Over the 4 years to 2026–27, General Government Sector capital expenditure is forecast to be \$53.838 billion, which comprises \$43.626 billion of PNFA and \$10.212 billion of capital grants expenses. Acquisitions of non-financial assets under finance leases and similar arrangements are forecast to be \$1.679 billion, bringing the total General Government Sector capital program over the period to \$55.517 billion.

Over the forward estimates, the government will invest in:

- transformative transport infrastructure, including additional train rollingstock, Gold Coast Light Rail, M1 highway upgrades and Cross River Rail
- construction of new schools
- critical infrastructure upgrades and construction, including the Woodford Youth Detention Centre, hospitals and social housing
- venue infrastructure for the Brisbane 2032 Olympic and Paralympic Games.

The finance leases and similar arrangements are mainly in relation to Public Private Partnerships (PPPs). PPPs total \$2.761 billion over the period 2022–23 to 2026–27 and includes the Tunnel, Stations and Development components of Cross River Rail and construction of Gold Coast Light Rail Stage 3.

Over the 4 years to 2026–27, the capital program for the Public Non-financial Corporations sector is forecast to be \$33.727 billion. This is \$20.286 billion more than the 2022–23 Budget capital program for this sector, mainly due to the roll-out of the QEJP, which will transform Queensland’s energy system over the next 10 to 15 years to deliver clean, reliable and affordable power. Queensland’s publicly-owned energy businesses are investing in new wind, solar, storage and transmission infrastructure. This includes up to 7 gigawatts of large-scale, long duration pumped hydro, a \$5 billion investment in CopperString 2032 connecting the North West Minerals Province to the national electricity grid, and a strong pipeline of renewable energy and storage projects.

The NFPS capital purchases for the 4 years from 2022–23 to 2025–26 have increased by \$19.489 billion since the 2022–23 Budget. Over this same period, the operating cash flows for the NFPS have increased by nearly \$13 billion. As a result, the increase in capital purchases is to be largely funded by operating cash flows.

Table 6.2 shows the increase in NFPS capital purchases since the 2022–23 Budget.

**Table 6.2 Non-financial Public Sector – Capital Purchases<sup>1</sup>**

	<b>2022–23 Budget \$ million</b>	<b>2023–24 Budget \$ million</b>	<b>Increase \$ million</b>
Capital Purchases - 4 years to 2025–26			
General Government Sector	36,288	41,431	5,144
Public Non-financial Corporations Sector	13,164	27,607	14,443
Other adjustments	-	(98)	(98)
<b>Total Non-financial Public Sector</b>	<b>49,451</b>	<b>68,940</b>	<b>19,489</b>
Largely funded by operating cash flows			12,768
Note:			
1. Numbers may not add due to rounding.			

The current estimate of the capital program over the 4 years to 2026–27 is \$88.729 billion. The PNFA by the NFPS over this period are forecast to be \$76.905 billion. With capital grant expenses of \$9.768 billion, this brings total capital expenditure to \$86.673 billion. In addition to this, acquisitions of non-financial assets under finance leases and similar arrangements of \$2.055 billion bring the total capital program over the period to \$88.729 billion.

### **6.2.3 Liabilities**

#### **General Government Sector**

Total General Government Sector liabilities are estimated to be \$107.434 billion at 30 June 2023, a decrease of \$13.628 billion since 2022–23 Budget, predominantly due to lower-than-expected borrowings.

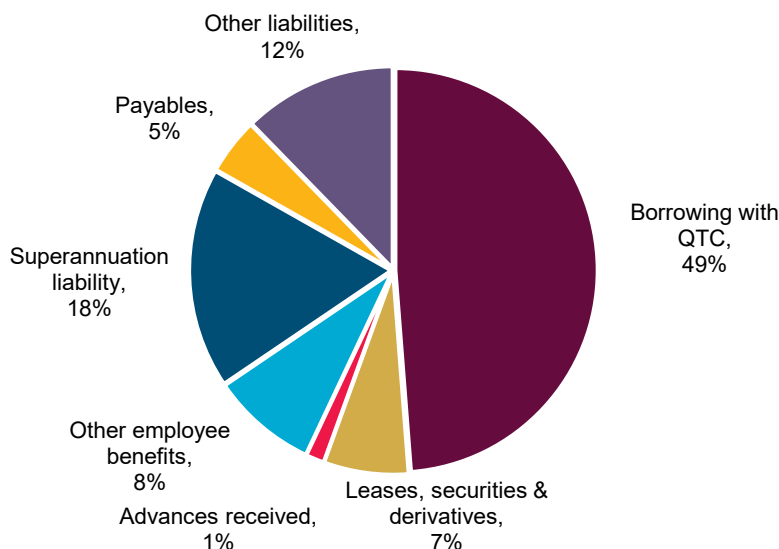
Total liabilities are expected to increase by \$10.452 billion in 2023–24 to be \$117.886 billion. General Government Sector borrowing with QTC will increase by \$10.480 billion in 2023–24, to be \$57.494 billion. This is \$8.921 billion lower than the 2022–23 Budget estimate for 2023–24 due to capital investment being partially funded by the uplift in revenue. General Government Sector borrowing with QTC is then forecast to grow over the forward estimates as the state invests in job-creating infrastructure projects and commits to delivering the QEJP through equity contributions to the PNFC sector.

By 2025–26, borrowing with QTC is expected to reach \$78.104 billion, \$2.518 billion lower than expected in the 2022–23 Budget. In 2026–27, total borrowing with QTC will increase by \$10.050 billion from 2025–26 to \$88.154 billion.

The defined benefit superannuation liability is projected to be \$21.205 billion at 30 June 2023, \$2.864 billion lower than expected in the 2022–23 Budget. This is predominantly due to a change in actuarial assumptions. By 30 June 2024 the superannuation liability is projected to be \$20.827 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 2024 is illustrated in Chart 6.2.

**Chart 6.2 Forecast General Government Sector liabilities by category, as at 30 June 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 pieces of economic infrastructure.

NFPS borrowing is expected to be \$102.561 billion by 30 June 2023, \$8.225 billion lower than the 2022–23 Budget. Within the NFPS borrowing, derivative liabilities are estimated to be \$2.012 billion higher than expected in the 2022–23 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 pool prices reduce and electricity is delivered.

### 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.

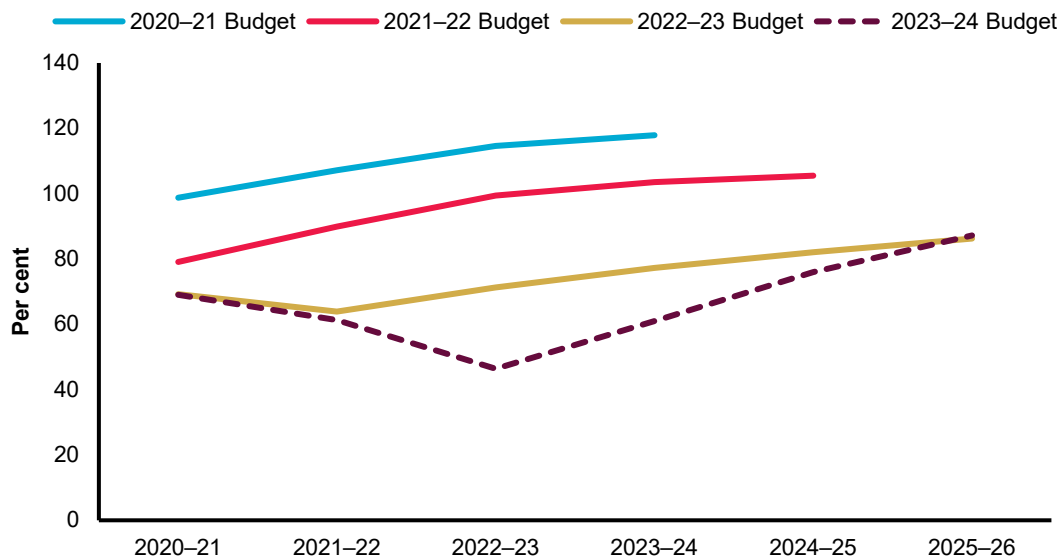
Net debt excludes certain assets and liabilities, such as superannuation and insurance liabilities. However, it still indicates the soundness of the government’s fiscal position, as high levels of net debt will require servicing through interest payments and limit flexibility to adjust expenditure.

Net debt for the General Government Sector in 2022–23 is estimated to be \$5.852 billion, \$13.920 billion lower than expected in the 2022–23 Budget. The lower net debt is predominantly the result of improved operating cash flows in 2022–23, and lower net debt rolling forward from the 2021–22 outcome.

Net debt is lower in each year than estimated in the 2022–23 Budget and by 2025–26 is estimated to be \$1.566 billion lower than the 2022–23 Budget.

Chart 6.3 shows the net debt to revenue ratio in 2023–24 for the NFPS is lower than forecast at the time of the 2021–22 Budget.

**Chart 6.3 Ratio of non-financial public sector net debt to revenue**



### 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 (e.g. accrued employee liabilities such as superannuation and long service leave entitlements).

The net financial liabilities of the General Government Sector for 2022–23 are estimated to be \$52.570 billion and are estimated to increase by \$9.383 billion by 30 June 2024. 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 \$249.624 billion at 30 June 2022. It is expected to increase to \$269.210 billion in 2022–23.

Net worth has increased in 2022–23 with the improved operating position and increases in the value of non-financial assets and investments in other public sector entities.

The net worth of the NFPS is projected to steadily grow over the forward estimates to be \$281.080 billion by 2026–27.

## 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 2022–23 is estimated to be \$7.717 billion, which is \$14.480 billion higher than the deficit forecast at the time of the 2022–23 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.

A cash deficit of \$7.010 billion is forecast for 2023–24. Net cash flows from operating activities increased over the forward estimates compared to 2023–24, 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 into the PNFC and Public Financial Corporations sector are the primary driver of net outflows of \$11.086 billion over the period from 2023–24 to 2026–27. These equity injections will support the QEJP and GOC infrastructure projects.

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

Total General Government Sector PNFA of \$9.347 billion are budgeted for 2023–24. Over the period from 2023–24 to 2026–27, General Government Sector PNFA are expected to total \$43.626 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.