

5 Expenses

Features

- The 2023–24 Budget provides a substantial range of expense measures to address the immediate cost-of-living pressures facing households and businesses across Queensland, boost health funding, further support programs to alleviate housing pressures and strengthen Queensland’s community safety and youth justice systems.
- Estimated General Government Sector expenses for 2023–24 are estimated to be \$84.261 billion, an increase of \$8.944 billion (or 11.9 per cent) on 2022–23.
- New cost-of-living measures are mostly contained to 2023–24, with expenses growth expected to fall by 2.7 per cent in 2024–25 before growing moderately across the remainder of the forward estimates.
- Total expenses are projected to grow at an average annual rate of 4.0 per cent over the 5 years to 2026–27.
- In 2023–24, the major areas of expenditure are in the key frontline services of health and education, which constitute approximately 52.3 per cent of General Government Sector expenses.

This chapter provides an overview of General Government Sector expenses for the forecast 2023–24 Budget year and projections for 2024–25 to 2026–27. The forward estimates are based on the economic projections outlined in Chapter 2.

5.1 2022–23 estimated actual

General Government Sector expenses in 2022–23 are estimated to total \$75.317 billion, 0.5 per cent above the 2022–23 Budget estimate, largely attributable to the timing of other operating expenses and grants expenses and higher depreciation costs following revaluations of infrastructure assets in 2021–22.

5.2 2023–24 Budget and outyears

Table 5.1 General Government Sector expenses¹

	2021–22 Outcome \$ million	2022–23 Est. Act. \$ million	2023–24 Budget \$ million	2024–25 Projection \$ million	2025–26 Projection \$ million	2026–27 Projection \$ million
Employee expenses	28,068	30,279	32,175	32,825	33,864	34,930
Superannuation						
interest costs	377	775	721	665	621	587
Other						
superannuation						
expenses	3,387	3,733	4,188	4,302	4,419	4,523
Other operating						
expenses	18,228	20,287	22,969	21,615	21,781	22,411
Depreciation and						
amortisation	4,506	4,910	5,039	5,242	5,443	5,672
Other interest						
expenses	1,508	1,715	1,974	2,472	2,984	3,520
Grants expenses	13,817	13,618	17,195	14,845	13,542	13,570
Total Expenses	69,889	75,317	84,261	81,967	82,653	85,214
Note:						
1. Numbers may not add due to rounding.						

The 2023–24 Budget provides a substantial range of expense measures to address the cost-of-living pressures facing Queenslanders across the state. These measures provide critical and targeted cost-of-living relief for households, businesses and vulnerable Queenslanders.

In 2023–24, General Government Sector expenses are estimated to be \$84.261 billion, an expected increase of \$8.944 billion (or 11.9 per cent) over the estimated actual for 2022–23. This increase is due in large part to temporary factors including:

- \$1.483 billion in additional electricity bill support to households and small businesses facing cost-of-living pressures. All Queensland households will automatically receive a \$550 Cost of Living Rebate on their electricity bill in 2023–24, while around 600,000 vulnerable households will benefit from a higher \$700 Cost of Living Rebate. Eligible small businesses will also receive an automatic rebate of \$650 on their electricity bill in 2023–24
- significant \$1.7 billion in Disaster Recovery Funding Arrangement (DRFA) expenses in 2023–24, largely for the South East Queensland rainfall and flooding event in the summer of 2022
- costs associated with the most recent public sector wages offer including a Cost of Living Adjustment (COLA) payment for employees where inflation exceeds headline wage increases established in agreements
- energy initiatives under the *Queensland Energy and Jobs Plan (QEJP)* and community investment programs in regional Queensland, such as the Resources Community Infrastructure Fund.

General Government Sector expenses are expected to decline by 2.7 per cent in 2024–25 as most of the cost-of-living measures are largely limited to addressing inflationary pressures within 2023–24.

5.3 Expenses by operating statement category

As outlined in Chart 5.1, employee and superannuation expenses account for 44 per cent of the General Government Sector expenses. Other operating expenses (27.3 per cent) follows, reflecting non-labour costs of providing goods and services to government and non-government recipients including, for example, repairs and maintenance but also transport service contract payments to Queensland Rail, subsidies to households and payments to contractors.

Chart 5.1 Expenses by operating statement category, 2023–24

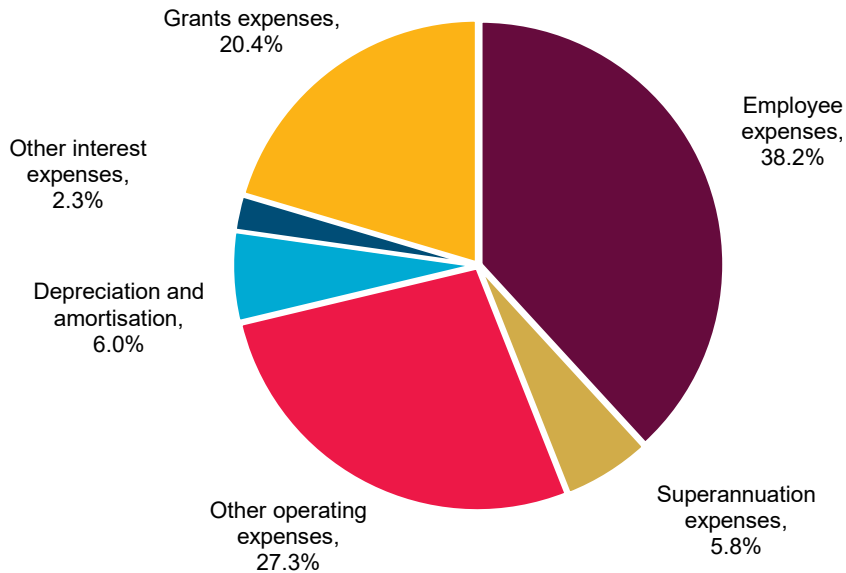
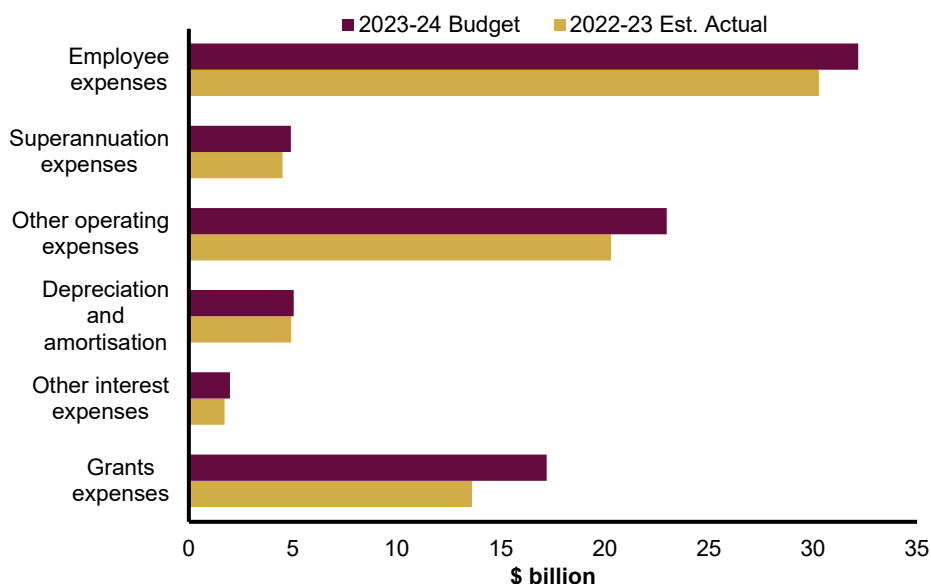


Chart 5.2 Expenses by operating statement category, 2023–24



5.3.1 Employee expenses

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

In 2023–24, employee expenses are expected to be \$32.175 billion, \$1.896 billion or 6.3 per cent higher than the 2022–23 estimated actual. This increase is due in part to the public sector wage offer and related cost-of-living payments to employees and growth of 1.86 per cent in full-time equivalent employees.

Employee expenses growth is expected to be lower in 2024–25, compared to 2023–24 partly as the cost-of-living payments to employees described below are not expected to be triggered post 2023–24.

Public sector wages policy

Queensland’s public servants are dedicated to delivering essential services to Queenslanders. The majority of public sector certified agreements nominally expired during 2022 or will expire during 2023. The government has always promoted good faith bargaining and in a climate of escalating cost of living, it has established a public sector wages offer that includes the following elements:

- 3-year agreements with wage increases of 4 per cent in years one and two and 3 per cent in year three. This is higher than the previous 2.5 per cent in recognition of prevailing economic circumstances and maintains capacity for strong frontline service delivery

- a Cost of Living Adjustment (COLA) payment for employees where inflation exceeds headline wage increases established in agreements. Where the relevant Brisbane consumer price index (March quarter annual percentage change) is higher than the relevant wage increase under a certified agreement, eligible employees will receive a once-off COLA payment equivalent to the percentage point difference, applied to their base wages and capped at 3 per cent.

Full-time equivalents

The government is delivering on its commitment to revitalise frontline service delivery. This has contributed to full time equivalents (FTE) increasing by 44,900 FTE from 2014–15 to 2022–23.

As at March 2023, 91.1 per cent of public servants are engaged in frontline and frontline support roles, with 22,031 FTE in corporate service roles.

The government is also committed to ensuring that public service staff are located where there is demand. Around 46 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 4,666 (or 1.86 per cent) in 2023–24, driven principally by increases in Department of Youth Justice, Employment, Small Business and Training, Queensland Health and Queensland Police Service.

The Public Sector Commission publishes a bi-annual Queensland Public Sector Workforce Profile, which includes specific reporting of agencies listed in Table 5.2. The March 2023 workforce profile reports a total of 244,060 FTE for these agencies, an increase of 3,876 FTE since September 2022. The increase reflects growth of 3,190 FTE frontline and frontline support roles and 686 FTE non-frontline roles. It is noted that the reporting basis of the workforce profile reflects active FTE engaged at March 2023 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

	2022–23 Adjusted Budget ²	2022–23 Est. Act. ³	2023–24 Budget
Agriculture and Fisheries	2,108	2,118	2,120
Child Safety, Seniors and Disability Services ⁴	5,384	5,431	5,342
Education	76,774	76,726	77,160
Electoral Commission of Queensland	81	81	101
Energy and Public Works	2,303	2,317	2,576
Environment and Science ⁴	2,863	2,864	2,958
Housing ⁴	2,297	2,298	1,363
Justice and Attorney-General	3,792	3,806	4,075
Office of the Inspector-General Emergency Management	22	22	22
Premier and Cabinet	474	516	589
Public Service Commission	64	94	82
Queensland Audit Office	191	191	191
Queensland Corrective Services	6,606	6,663	7,249
Queensland Fire and Emergency Services	3,901	3,900	4,145
Queensland Health	105,686	105,686	106,743
Queensland Police Service	17,548	17,549	18,350
Queensland Treasury	1,302	1,301	1,426
Regional Development, Manufacturing and Water	602	676	714
Resources	1,425	1,427	1,442
State Development, Infrastructure, Local Government and Planning ⁴	974	1,020	1,047
The Public Trustee of Queensland	606	606	633
Tourism, Innovation and Sport	472	503	570
Transport and Main Roads	8,675	8,769	9,564
Treaty, Aboriginal and Torres Strait Islander Partnerships, Communities and the Arts	1,903	1,907	679
Youth Justice, Employment, Small Business and Training ⁴	4,778	4,883	6,879
Total	250,831	251,354	256,020
Notes:			
1. Departmental FTE can also be found in the Service Delivery Statements (SDS).			
2. Adjusted Budget reflects movements of FTE following Machinery of Government (MOG) changes (except for agencies per note 4).			
3. May be subject to finalisation of MOG change negotiations.			
4. For these agencies, the 2022–23 Adjusted Budget and 2022–23 Estimated Actuals information disclosed is presented on a pre-MOG change basis.			

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 plans.

Superannuation interest costs are dependent on the applicable discount rate at the beginning of the year. Following rate increases in 2021–22, superannuation interest costs are higher in 2022–23 before declining modestly in 2023–24 as forecast rates stabilise. 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).

Other superannuation expenses are forecast to increase in 2022–23 and 2023–24 due in part to the public sector wage offer and new superannuation contribution arrangements coming into effect from 1 July 2023.

The Queensland Government is simplifying its employer superannuation contribution arrangements to 18 per cent of salary for police officers, 14.25 per cent for fire service officers and 12.75 per cent of salary for other employees. Superannuation contributions will be paid on base salary, ordinary time allowances and paid leave. Contribution rates into defined benefit categories remain unchanged, with defined benefit members receiving top up payments into accumulation accounts to match the above rates.

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 (NGO), repairs and maintenance, consultancies, contractors, electricity, communication 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 NGO indexation rate, on which this funding is calculated, was approved at 3.88 per cent in the 2022–23 Budget Update.

The government is considering a revision to the 2023–24 NGO indexation rate in light of the Fair Work Commission's Annual Wage Review decision on 2 June 2023 and higher forecast inflation in 2023–24.

Other operating expenses in 2023–24 are estimated to total \$22.969 billion, representing an increase of \$2.682 billion or 13.2 per cent, compared to the 2022–23 estimated actual.

The increase in other operating expenses can be attributed to:

- \$1.483 billion in additional electricity bill support to households and small businesses facing cost-of-living pressures. All Queensland households will automatically receive a \$550 Cost of Living Rebate on their electricity bill in 2023–24, while around 600,000 vulnerable households will benefit from a higher \$700 Cost of Living Rebate. Eligible small businesses will also receive an automatic rebate of \$650 on their electricity bill in 2023–24
- school education-related initiatives and additional funding under the National School Reform Agreement and associated Bilateral Agreement
- an increase in transport funding including higher Transport Service Contract payments to Queensland Rail
- further support for domestic and family and sexual violence services and expansion of a comprehensive youth justice reform agenda to target serious repeat offenders, support community safety and address the complex causes of youth crime
- offset by agency contributions towards new budget initiatives, totalling \$90 million in 2023–24.

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 such as hospitals and state schools.

Other interest expenses are estimated to increase \$259 million in 2023–24 to \$1.974 billion as borrowing with QTC increases to fund the expanded capital program.

Other interest expenses are estimated to be lower across all years of the forward estimates compared to the 2022–23 Budget Update due to the improved net cash flows from operating activities, mainly from the temporary uplift in royalty income in 2022–23.

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 non-state schools, businesses and households (including the Queensland First Home Owners' Grant) for capital purposes.

Table 5.3 provides a breakdown of grants by category and recipient type.

Table 5.3 Grant expenses¹

	2021–22 Outcome \$ million	2022–23 Est. Act. \$ million	2023–24 Budget \$ million
Current			
Grants to local government ²	1,581	450	755
Grants to private and not-for-profit organisations			
State funding for non-state schools	834	848	867
Australian Government funding for non-state schools	3,634	3,935	4,114
Other ³	2,009	2,783	3,679
Grants to other sectors of government			
Community service obligations to PNFCs	550	645	560
Other payments to PNFCs and PFCs	59	137	160
Other (includes payments to NDIA)	2,142	2,092	2,347
Other	878	405	386
Total current grants	11,686	11,295	12,868
Capital			
Grants to local government ⁴	1,262	1,498	2,111
State funding for non-state schools	118	123	127
Grants to private and not-for-profit organisations	326	444	1,295
Grants to PNFCs	41	43	411
Queensland First Home Owners' Grants	143	76	72
Other	240	139	311
Total capital grants	2,130	2,323	4,327
Total current and capital grants	13,817	13,618	17,195
Notes:			
1. Numbers may not add due to rounding.			
2. Current grants to local governments were higher in 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.			
3. Other current grants to private and non-financial organisations include fuel subsidy payments as part of the joint program with the Australian Government to contain electricity price increases.			
4. Capital grants to local governments increase in 2023–24 compared to 2022–23 in large part due to DRFA grants.			

In 2023–24, grant expenses are estimated to total \$17.195 billion, \$3.577 billion higher than the 2022–23 estimated actual. The increase is mainly due to:

- lower Australian Government Financial Assistance Grants (FAGs) to local councils in 2022–23 with the Australian Government making the 2022–23 FAGs payments in the 2021–22 financial year
- implementation of a cap of \$125 per tonne on the price of coal used for electricity generation in Queensland. This program is part of the Energy Price Relief Plan agreed by National Cabinet in December 2022 and funded in partnership with the Australian Government
- higher Australian Government grants on-passed to non-government schools
- substantial reconstruction and resilience programs under the DRFA in partnership with the Australian Government, in the main for the 2022 flooding disaster events. Further details are discussed in Chapter 3
- additional funding for the Resources Community Infrastructure Fund
- introduction of 15 hours per week of free kindergarten from 1 January 2024 for all 4-year-old children
- additional grant funding to support the delivery of social and affordable housing to address housing pressures
- provision for the transfer of non-financial assets to the PNFC sector.

Grants expenses are expected to decline in 2024–25 as some funding boosts conclude and the substantial DRFA program of work for the 2022 flood event draws closer to completion.

5.4 Operating expenses by purpose

Chart 5.3 indicates the proportion of expenditure by major purpose classification for the 2023–24 Budget. Health accounts for the largest share of expenses (28.8 per cent) followed by Education (23.5 per cent).

In 2023–24, the substantial Cost of Living Rebates to households and small businesses and additional funding to alleviate housing pressures increase the social protection, housing and other community services functions relative share of total General Government Sector expenses.

Similarly, disaster payments for local council road infrastructure under DRFA increase transport services and social protection, housing and other community services' respective share of expenses comparative to most other expenditure.

Chart 5.3 General Government Sector expenses by purpose, 2023–24

