3 Fiscal strategy and outlook

Features

- The Queensland Government is committed to investing in economic and social infrastructure to meet the needs of Queensland's growing population and accelerate regional economic development through the strategic allocation of royalties and revenue uplifts. These investments will leverage Queensland's natural endowments, productive capacity and competitive advantages to deliver good jobs, better services and a great lifestyle for Queenslanders.
- An operating surplus of $12.305 billion is expected in 2022–23 driven by unprecedented strength in coal royalties, attributed to a combination of high coal prices and progressive coal royalties measures introduced in the 2022–23 Budget. This will be the largest operating surplus in Queensland history, following what was a record surplus in 2021–22.
- The surplus in 2022–23 will see the General Government Sector borrowing $11.8 billion less in that year than anticipated in the 2022–23 Budget. This has provided the opportunity to fund the state's record $89 billion capital program while maintaining debt at sustainable levels. General Government Sector debt in 2025–26 remains $2.2 billion lower than forecast in the 2022–23 Budget.
- As royalty revenue normalises, the Budget will return to modest operating surpluses across the forward estimates, other than in 2023–24. An operating deficit of $2.182 billion is expected in 2023–24, compared to the projected deficit in the 2022–23 Budget of $1.083 billion. This is in part driven by the government's significant cost-of-living relief measures, including $1.483 billion for additional electricity bill support to households and small businesses. As wages grow and inflation falls, cost-of-living pressures should ease.
- The significant program of public infrastructure investment reflects the challenges and opportunities associated with decarbonising the state's energy system, expanding the capacity of the health system, ensuring Queensland's water security, and preparing to host the 2032 Olympic and Paralympic Games.
- Queensland is well positioned to meet these challenges, with a lower General Government Sector net debt to revenue ratio than interstate peers. Queensland's ratio of 20 per cent in 2023–24 compares to 90 per cent for New South Wales and 152 per cent for Victoria.
- Sustainability risk management, including environmental, social, and governance factors, is a strategic imperative for the state. The Queensland Government publishes an annual *Queensland Sustainability Report* which sets out how the government has established its priorities and provides information on key policies being implemented and performance measures to develop a resilient and sustainable future.
- A new public sector wages offer balances the government's commitment to frontline service delivery and employee retention with disciplined management of operating expenses growth.

- Queensland's credit ratings with S&P Global (AA+) and Moody's (Aa1) remained stable through the pandemic crisis and recovery, while Fitch upgraded Queensland's rating from AA to AA+ in December 2021. Sound financial management supports the credit rating and provides the capacity to respond to future economic and financial shocks and position the economy for growth.
- Disaster events in the summer of 2022–23 followed the devastating floods of 2021–22, with recovery and reconstruction continuing to progress. Disaster related expenses over the 5 years to 2026–27 are large but will be significantly offset by Australian Government payments under disaster funding arrangements.

3.1 Fiscal outlook

The strength of the Queensland economy and continued high commodity prices have resulted in further upward revisions to revenue in the 2023–24 Queensland Budget, following the uplifts incorporated into the 2022–23 Budget and 2022–23 Budget Update. Since the 2022–23 Budget, revenue has been revised upwards by $13.736 billion in 2022–23 and $30.994 billion, or 10 per cent, over the 4 years to 2025–26. While revenue has increased significantly, expenses for 2022–23 have been managed broadly within 2022–23 Budget estimates. This has produced a substantial improvement in Queensland's 2022–23 net operating balance, from a deficit of $1.029 billion in the 2022–23 Budget to a surplus of $12.305 billion, the largest in Queensland's history.

Prudent management of the rebound in revenue forecasts has driven significant progress against the Charter of Fiscal Responsibility since those targets were set in 2021–22. The government is restoring its fiscal buffers. Over progressive budgets, temporary revenue windfalls have been targeted towards fiscal recovery and a lower reliance on debt. Queensland's General Government Sector net debt to revenue ratio in 2022–23 has been reduced from 27 per cent in the 2022–23 Budget, to just 7 per cent in this Budget. This is below pre-pandemic expectations, with the 2019–20 Budget forecasting a net debt to revenue ratio of 30 per cent in 2022–23.

This improvement means that Queensland is well placed to meet the challenges associated with the significant additional investment that is required to decarbonise the state's energy system, expand the capacity of the health system, ensure Queensland's water security and prepare for hosting the Brisbane 2032 Olympic and Paralympic Games. At the same time, continued capital investment in areas such as housing, education and transport must continue to ensure service delivery can continue to keep pace with the needs of a growing population. Queensland's total capital program over the 4 years to 2026–27 is estimated at $88.729 billion, compared to the $59.126 billion estimated capital program over the 4 years to 2025–26 in the 2022–23 Budget.

While delivery of this record capital program is challenging, the investment is necessary to ensure Queensland's continued prosperity. It can also be achieved while maintaining borrowings at sustainable levels. The ratio of net debt to revenue is expected to increase to 55 per cent by 2026–27 as a result of this significant capital investment, but remains far lower than the ratios of other states, with Victoria projecting a ratio of 172 per cent in the same year, and New South Wales projecting a ratio of 102 per cent by 2025–26. A sustainable level of borrowings means that Queensland is comparatively well positioned in an environment of increased interest rates.

While the government's $1.617 billion in new or expanded cost-of-living relief measures in 2023–24 alongside revenues normalising will result in a once-off operating deficit in 2023–24, an operating surplus is forecast in 2024–25.

Total concessions funding in 2023–24 is $8.224 billion, which represents an increase of more than 21 per cent compared with 2022–23.

Consistent with Queensland's fiscal principles, net operating surpluses from 2024–25 onward and maintaining borrowings at a sustainable level will be achieved without compromising Queensland's competitive taxation regime. The government is also ensuring that employee costs remain sustainable with a public sector wages offer that balances the government's commitment to frontline service delivery with disciplined management of operating expenses growth.

Continued careful budget management will be key to ensuring Queensland's fiscal position remains sustainable as revenues normalise and the substantial capital program is delivered, while progress is made towards medium term goals.

3.1.1 Fiscal Principles

In the 2021–22 Queensland Budget, the government set out its medium-term fiscal strategy, including a new Charter of Fiscal Responsibility (the Charter) with renewed fiscal principles with objective measures to support the restoration of fiscal buffers. An update of progress towards achievement of medium-term goals is outlined below.

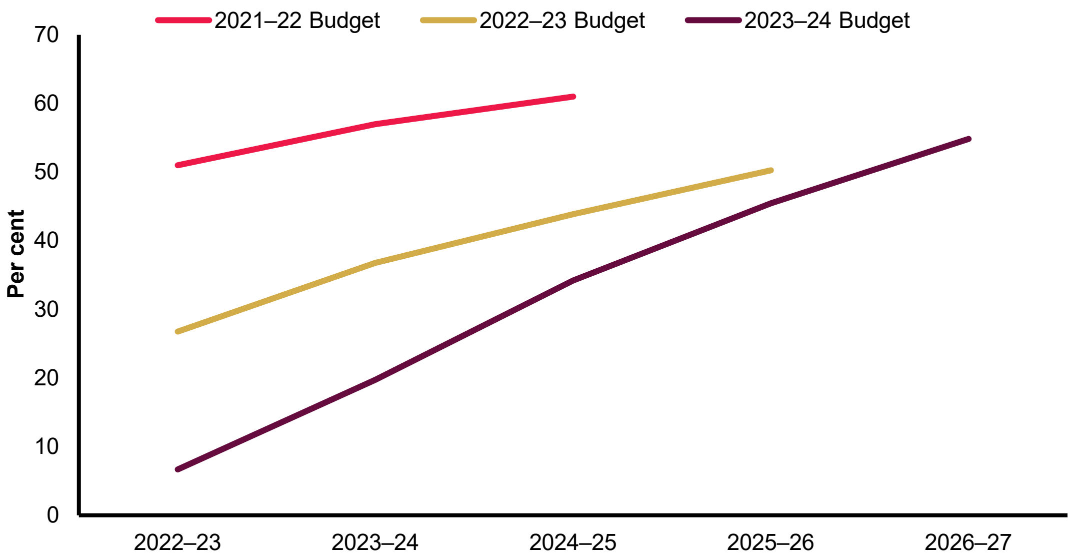
Fiscal Principle 1 – Stabilise the General Government Sector net debt to revenue ratio at sustainable levels in the medium term, and target reductions in the net debt to revenue ratio in the long term.

Ensuring debt is stabilised at a sustainable level is key to restoring the state's capacity to invest in infrastructure and respond to future external shocks.

Since the development of the new Charter, significant progress has been made against Fiscal Principle 1. Revenue strength in 2022–23 has resulted in a lower debt requirement in that year and a downwards revision to the net debt to revenue ratio of 20 percentage points since the 2022–23 Budget and 44 percentage points since the 2021–22 Budget.

The reduced debt requirement in the near term provides capacity for additional capital investment while maintaining debt at sustainable levels. By 2026–27, the ratio is forecast to reach 55 per cent, a sustainable level which is less than the 2021–22 Budget estimate for 2023–24. The ratio in 2023–24 has been revised down to 20 per cent, a 37 percentage point reduction compared to the 2021–22 Budget estimate for 2023–24.

Chart 3.1 Ratio of general government net debt to revenue



The downwards revisions to borrowings and net debt since the 2021–22 Budget are the result of prudent management of the significant, but short term, revenue uplifts experienced over progressive budget cycles. Borrowings increase over the forward estimates to fund the 4-year capital program, but the buffer created by recent debt reductions means that by 2026–27, the net debt to revenue ratio remains lower than the 2021–22 Budget estimates for 2023–24.

Queensland's net debt to revenue ratio of 20 per cent in 2023–24 compares favourably to that of its peers. The net debt to revenue ratio in 2023–24 is 90 per cent for New South Wales (2023 Pre-election Budget Update) and 152 per cent for Victoria (2023–24 Budget).

Fiscal Principle 2 – Ensure that average annual growth in General Government Sector expenditure in the medium term is below the average annual growth in General Government Sector revenue to deliver fiscally sustainable operating surpluses.

Fiscal Principle 2 provides a broad measure of expense growth management. Maintaining a lower rate of expenses growth than revenue growth will in general ensure the restoration of an operating surplus and assist debt stabilisation. In the 2023–24 Budget, revenue growth over the forward estimates continues to be affected by temporary factors causing significant volatility. Across the 4 years from 2022–23 to 2026–27, the average annual revenue growth is lower than expenses growth reflecting the short-term strength of royalty revenue. While royalties have been boosted in the last few years by high commodity prices, they are expected to normalise to around a third of 2022–23 levels by 2025–26. An adjusted measure removing royalties is therefore reported to better reflect underlying growth.

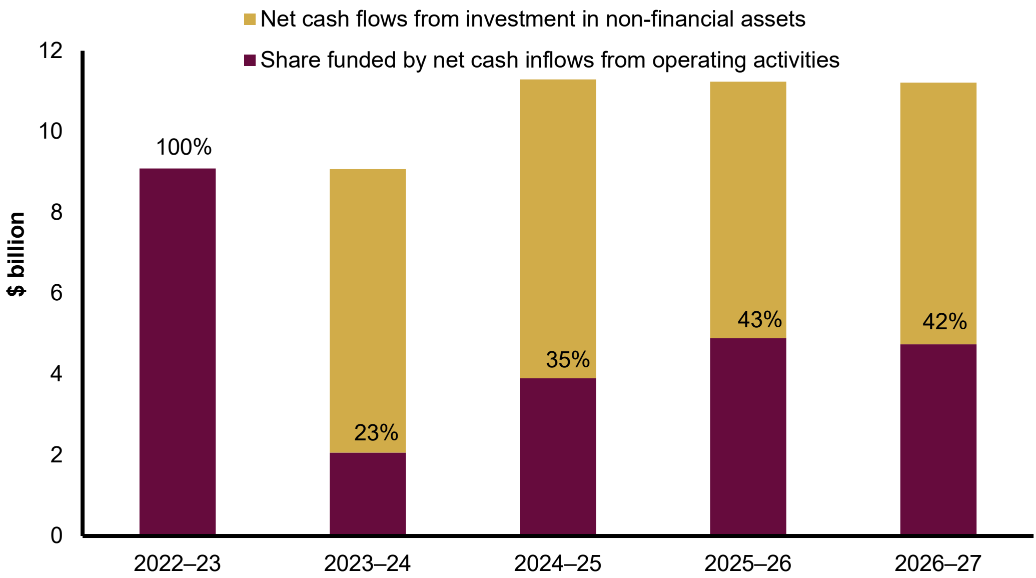
Excluding royalties revenue, revenue growth is expected to be 3.5 per cent on average across the 4 years to 2026–27, compared to expenses growth of 3.1 per cent. Over the 5 years to 2026–27, growth of 4.1 per cent is expected for revenue excluding royalties and land rents compared to 4.0 per cent for expenses.

Fiscal Principle 3 – Target continual improvements in net operating surpluses to ensure that, in the medium term, net cash flows from investments in non-financial assets (capital) will be funded primarily from net cash inflows from operating activities. The capital program will focus on supporting a productive economy, jobs, and ensuring a pipeline of infrastructure that responds to population growth.

Maintaining a capital program that will support services and jobs and enhance the productive capacity of the economy is a key priority. The $88.729 billion capital program includes additional investment in major transformative projects as well as providing the critical infrastructure that is required to support service delivery, in a challenging environment of escalating cost pressures.

Volatility in revenue growth combined with the profile of capital expenditure, which is uneven by nature, means a degree of volatility can be expected in the outcomes for Fiscal Principle 3 on an individual year basis. In 2022–23, net cash inflows from operating activities greatly exceed investments in non-financial assets. The ratio reduces to 23 per cent in 2023–24 and is expected to reach 42 per cent in 2026–27. On average across the period 2022–23 to 2026–27, 62 per cent of the capital program will be funded from net cash inflows from operating activities.

Chart 3.2 Share of General Government Sector investments in non-financial assets funded from operating cash surpluses



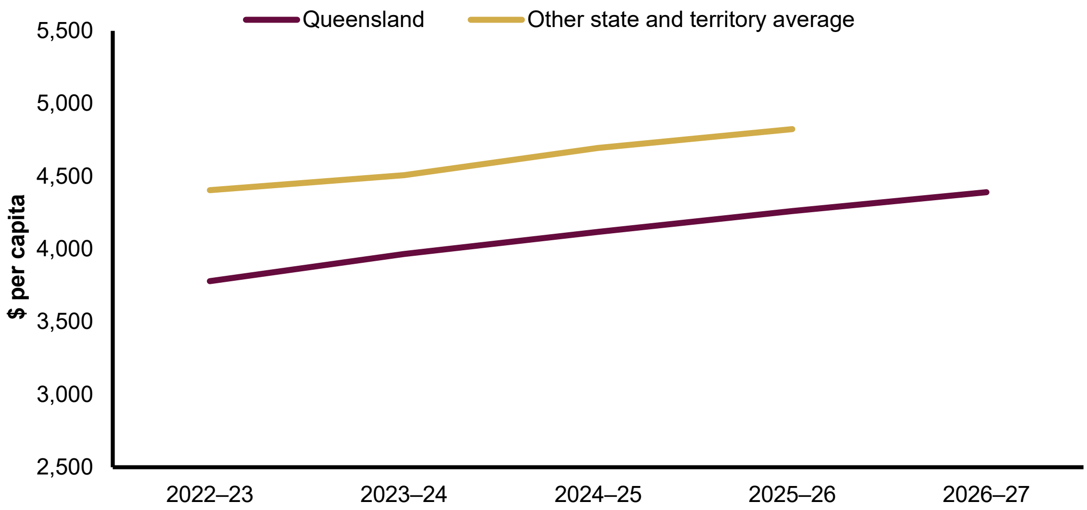
Fiscal Principle 4 – Maintain competitive taxation by ensuring that, on a per capita basis, Queensland has lower taxation than the average of other states.

This principle directly measures Queensland's competitiveness relative to other jurisdictions, providing a meaningful indication of the comparative impact of Queensland's tax regime and policies.

Based on the latest available outcomes, Queensland's taxation per capita was $720 less than the average of other jurisdictions in 2021–22. On average, Queenslanders paid $1,087 less tax than New South Wales residents and $928 less than Victorian residents.

Using the latest forecasts, Queensland's taxation per capita of $3,966 in 2023–24 compares favourably to the average of other jurisdictions of $4,507 per capita. Chart 3.3 demonstrates that Queensland is expected to maintain a highly competitive tax environment.

Chart 3.3 Taxation per capita, Queensland and other states and territories



Fiscal Principle 5 – Target the full funding of long-term liabilities such as superannuation and workers' compensation in accordance with actuarial advice.

The full funding of superannuation and other long-term liabilities is a long-standing Queensland Government priority and a key element of Queensland's financial management. The commitment to this principle continued through the economic and fiscal recovery from the COVID-19 crisis, and it remains part of the long-term fiscal strategy.

The triennial actuarial investigation of the Defined Benefit Fund as at 30 June 2021 found it to be in surplus. As at 30 June 2022, WorkCover Queensland was fully funded.

3.2 Key fiscal aggregates

The key fiscal aggregates for the 2023–24 Queensland Budget are outlined in Table 3.1.

Table 3.1 Key fiscal aggregates[1]

	2021–22 Outcome $ million	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
Revenue	74,185	73,886	87,623	82,079	82,102	82,858	85,591
Expenses	69,889	74,915	75,317	84,261	81,967	82,653	85,214
Net operating balance	4,296	(1,029)	12,305	(2,182)	135	206	377
PNFA[2]	7,889	8,478	9,194	9,347	11,473	11,417	11,389
Fiscal balance	(71)	(5,635)	6,786	(6,716)	(7,265)	(5,977)	(5,301)
Borrowing[3]	56,764	66,459	54,693	65,479	76,040	85,127	94,814
Net debt	10,997	19,772	5,852	16,190	28,074	37,648	46,934

Notes:
1. Numbers may not add due to rounding. Bracketed numbers represent negative amounts.
2. PNFA: Purchases of non-financial assets.
3. Comprised of borrowing with QTC, leases and similar arrangements and securities and derivatives.

3.2.1 Net operating balance

Table 3.2 compares the General Government Sector net operating balance forecasts for the previous budget with the 2023–24 Budget forecasts.

Table 3.2 General Government Sector – net operating balance forecasts

	2022–23 $ million	2023–24 $ million	2024–25 $ million	2025–26 $ million	2026–27 $ million
2022–23 Budget	(1,029)	(1,083)	137	183	..
2023–24 Budget	**12,305**	**(2,182)**	**135**	**206**	**377**

Since the 2022–23 Budget, the General Government Sector net operating balance has improved substantially in 2022–23, from a deficit of $1.029 billion to a surplus of $12.305 billion. This improvement is attributable to significantly higher revenue, especially the temporary and unprecedented strength in coal royalties. The large operating surplus is reducing the 2022–23 borrowing requirement and creating capacity for a transformative capital program while maintaining debt at sustainable levels.

A deficit is expected for a single year in 2023–24 as revenues normalise and additional funding is required for priority areas, including temporary funding to alleviate cost-of-living pressures. The government's cost-of-living relief measures in 2023–24 include $1.483 billion for additional electricity bill support to households and small businesses.

Continued revenue growth and prudent management of expenses means that Queensland remains on track to achieve a surplus in 2024–25, consistent with every forecast since the 2021–22 Budget. Continued surpluses are expected across the remainder of the forward estimates.

Queensland's net operating surplus in 2022–23 contrasts with deficits of $12.0 billion for New South Wales (2023 Pre-election Budget Update) and $10.3 billion for Victoria (2023–24 Budget). While New South Wales and Queensland both expect to achieve an operating surplus in 2024–25, Victoria does not expect to return to a surplus until 2025–26.

Table 3.3 Reconciliation of net operating balance, 2022–23 Budget Update to 2023–24 Budget[1]

	2022–23 $ million	2023–24 $ million	2024–25 $ million	2025–26 $ million
2022–23 Budget Update net operating balance	**5,180**	**(458)**	**123**	**220**
Taxation revisions[2]	1,436	1,824	1,832	1,816
Royalty revisions[2]	4,671	1,556	580	558
GST revisions	(104)	(105)	(244)	(109)
Expense measures[3]	(775)	(3,277)	(1,646)	(1,476)
Natural disaster revisions (DRFA)[4]	370	166	(243)	(212)
Net flows from PNFC and PFC entities[5]	(656)	(442)	(71)	(254)
Australian Government funding revisions[6]	420	(547)	(309)	(83)
Other parameter adjustments[7]	1,764	(898)	112	(255)
2023–24 Budget net operating balance	**12,305**	**(2,182)**	**135**	**206**

Notes:

1. Numbers may not add due to rounding. Numbers indicate the impact on the operating balance. A number in brackets indicates a negative impact on the operating balance.
2. Taxation and royalty revisions exclude impact of revenue measures contained in Budget Paper 4 (BP4).
3. Reflects the operating balance impact of government expense measures since the 2022–23 Budget Update (refer to BP4 Chapter 2 Budget Measures for details) except for Natural disasters and Transport Service Contract measures which are included elsewhere in the reconciliation, as per footnotes 4 and 5.
4. Net impact of Disaster Recovery Funding Arrangements.
5. Represents revisions to dividends and tax equivalent payments from, and community service obligations (CSOs) and Transport Service Contract (TSC) payments to, Public Non-financial Corporations and Public Financial Corporations, net of CSO and TSC expense measures.
6. Represents the net impact of funding provided by the Australian Government primarily for Specific Purpose Payments and National Partnership payments and excludes funding for disaster recovery expenses.
7. Refers to adjustments largely of a non-policy nature, primarily changes in interest paid on borrowings, depreciation, swaps, lapses and deferrals.

Impact of disaster recovery on the net operating balance

Significant flood events in the 2021–22 and 2022–23 disaster season have meant that related expenses and the impact of Australian Government payments for Disaster Recovery Funding Arrangements (DRFA) materially affect the net operating balance. Box 3.1 details the financial impact of the flood events and reports on progress on initiatives to support community recovery and resilience. Table 3.4 details the impact of disaster expenses and DRFA on the net operating balance. While disaster expenses of $4.447 billion are expected in total over the forward estimates, the majority is offset by $3.356 billion disaster related revenue.

Table 3.4 Impact of disaster funding on the net operating balance[1,2]

	2022–23 $ million	2023–24 $ million	2024–25 $ million	2025–26 $ million	2026–27 $ million
Net Operating Balance	**12,305**	**(2,182)**	**135**	**206**	**377**
less Disaster revenue	623	1,849	884	..	..
add Disaster expenses	1,099	1,728	1,316	212	92
Underlying Net Operating Balance	**12,781**	**(2,303)**	**567**	**418**	**469**
Disaster capital expenditure	138	268	270	234	..

Notes:
1. Numbers may not add due to rounding.
2. The disaster revenue and expenditure shown above include estimates from events prior to 2022–23 and so exceed estimates for those occurring in the summer of 2022–23.

Box 3.1 2022–23 Disaster Season

The summer of 2022–23 has seen the state impacted by 7 disaster events, including long-term and record-breaking flooding in North West Queensland that forced evacuations and isolated already remote townships, including Burketown, Doomadgee and Urandangi.

Of Queensland's 77 local government areas, 55 have been activated for joint State-Commonwealth Disaster Recovery Funding Arrangements (DRFA) assistance to provide support to individuals, families, businesses, primary producers and other organisations directly affected by the disasters.

Early indications suggest the cost of recovery and reconstruction from the flooding events under the DRFA for the summer of 2022–23 will be more than $500 million, coupled with complex recovery needs given the extended duration, scale of impact of the flooding, and remoteness of affected communities.

To support initial recovery, several extraordinary measures were immediately made available through the jointly funded DRFA, including personal hardship assistance for individuals and families, recovery grants for local governments, primary producers and small businesses, community mental health and coordinated livestock and carcass disposal support packages.

During 2022–23, the state continued to progress recovery following the devastating floods of 2021–22. Along with mobilisation of reconstruction efforts, the joint state and Australian Government $2.1 billion extraordinary assistance package was implemented to assist ongoing recovery, with a focus on the health, wellbeing, and resilience of communities, sustaining medium size businesses and tourism, restoring the environment, repairing community and recreational assets, supporting community development and ensuring essential public assets can be built back better. The total recovery and reconstruction cost for the 2021–22 disaster season is estimated at $4.5 billion.

A core component of the packages, the innovative $761.6 million Resilient Homes Fund has seen offers accepted for the voluntary buy-back of more than 350 homes at high risk of repeated flooding, and demolition commence of initial purchased properties.

The government will also provide additional funding of $152 million over 3 years for a suite of programs and projects selected in accordance with the Disaster Recovery Funding Arrangements Efficiencies Framework to enhance Queensland's disaster resilience, mitigate risk and create stronger and safer communities.

While the impact of the disaster events of 2021–22 and 2022–23 will be felt for many years across the entire state, efforts to build resilience and support community recovery mean that Queensland will be even better placed to handle future inevitable disasters.

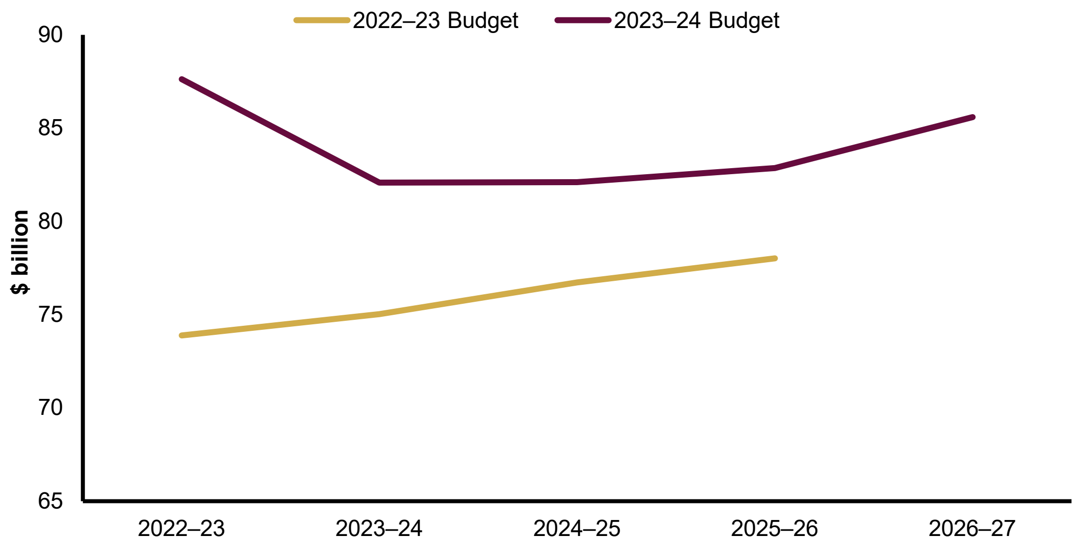
3.2.2 Revenue

General Government Sector revenue is estimated to total $87.623 billion in 2022–23, $13.437 billion higher than 2021–22. This is $13.736 billion higher than estimated in the 2022–23 Budget, driven largely by a $10.462 billion increase in royalties, reflecting the extraordinary strength in coal and oil prices across 2022 and early 2023. Taxes are also $1.721 billion higher, reflecting the strength of domestic economic activity and labour market performance, while GST has increased $586 million due primarily to a larger GST pool.

In 2023–24, royalties are expected to be $10.982 billion lower than in 2022–23, reflecting the expectation that currently elevated prices for coal and oil continue to return to levels more consistent with medium term expectations. In total, revenue is forecast to decline by $5.544 billion in 2023–24, with the decrease in royalties expected to be partially offset by a $2.095 billion increase in Australian Government grants, and a $1.080 billion increase in GST revenue.

In total over the 4 years to 2025–26, strong economic conditions and the temporary uplift to royalties means that General Government Sector revenue is forecast to be $30.994 billion, or 10 per cent, higher than forecast in the 2022–23 Budget.

Chart 3.4 Comparison of revenue forecasts



Further detail on revenues is provided in Chapter 4.

3.2.3 Expenses

Expenses in the 2023–24 Queensland Budget reflect the government's commitment to deliver better services to improve the lives of Queenslanders, support the state's growing population and economic growth. Additional initiatives in the Budget are targeted to address areas of community need including support to alleviate cost-of-living pressures in 2023–24, while ensuring that fiscal targets, such as the achievement of an operating surplus in 2024–25, continue to be met.

On average, General Government Sector expenses are forecast to increase by 3.1 per cent per annum over the 4 years to 2026–27. Excluding the extraordinary impact of volatile royalty revenue, this is lower than the forecast annual increases in revenue of 3.5 per cent over the same period and is consistent with Fiscal Principle 2.

Key new initiatives in the Budget include:

- an uplift of $2.888 billion in additional health operational growth funding over 5 years from 2022–23 to meet demand and cost pressures. This uplift will also support significant actions across the health system targeting improving ambulance responsiveness and reduce ramping, addressing pressures on emergency departments, reducing wait times for surgery and specialist clinics, as well as boosting women's health care and mental health care
- $1.483 billion for additional electricity bill support to households and small businesses facing cost-of-living pressures
- $645 million over 4 years from 2023–24 to provide 15 hours per week of free kindergarten from January 2024 for all 4-year-old Queensland children

- $586.1 million towards a new 10-year agreement with LifeFlight Australia
- over $150 million over 5 years to provide temporary accommodation and to extend and enhance housing and homelessness services
- $96.2 million over 4 years and $17.9 million ongoing to continue the co-responder model to deal with or divert high risk young people, including to expand Youth Co-responder Teams into Toowoomba, Fraser Coast, Mount Isa, Ipswich and South Brisbane
- $16.3 million for a package of measures to support women's economic security, including grants, training, and increased investment for women in male dominated industries, women in business and innovation and disadvantaged and vulnerable women.

Employee expenses and certified agreements

Salaries and wages form a large proportion of General Government Sector expenses, with increases in salaries and wages negotiated through certified agreements. Maintaining an effective public service relies on attraction and retention strategies based on competitive remuneration and employment conditions. These need to be balanced with disciplined management of growth in operating expenses that supports fiscal sustainability and meeting fiscal goals in the medium term, particularly as employee expenses form a large proportion of General Government Sector expenses.

With the majority of public sector certified agreements nominally expiring during 2022 and 2023, the government established a public sector wages policy of 4 per cent headline wage increases in the first 2 years and 3 per cent in year 3, which recognises prevailing economic circumstances while keeping expenses growth sustainable. A Cost of Living Adjustment will also be payable where inflation exceeds headline wages increases established in agreements, capped at 3 per cent of base wages. Chapter 5 provides more detail on the public sector wages policy, superannuation arrangements and employee expenses.

3.2.4 Investment

Queensland's total capital program has increased from an estimated $59.126 billion over the 4 years to 2025–26 in the 2022–23 Budget, to $88.729 billion over the 4 years to 2026–27. The updated capital program responds to a range of challenges that must be met to continue to support ongoing economic growth, meet renewable energy targets and ensure future prosperity while delivering the infrastructure that is needed to maintain critical services. Key areas of focus in the forward estimates period and over the medium term include:

- transforming Queensland's energy system through the *Queensland Energy and Jobs Plan*
- expanding the capacity of the health system, delivering the new infrastructure and increased number of beds to deliver better services
- safeguarding Queensland's future water security and flood resilience
- delivering the infrastructure required to support the successful hosting of the Brisbane 2032 Olympic and Paralympic Games.

As well as further progressing these key priority areas, the capital program must respond to unavoidable cost pressures in the current environment to ensure that critical infrastructure is provided when it is needed, and longer-term priorities remain on track. While growing demand for capital and constrained market conditions present a challenge for the capital program, continuing to deliver the infrastructure that is needed is a priority to support service delivery and avoid the potential negative economic consequences of not making necessary investments.

Queensland's long-term capital planning provides a clear roadmap for the investment required to support growth. Sustainability risks (including environmental, social and governance factors) and Queensland's sustainability priorities are an integral part of longer-term investment planning and budget decisions. This is detailed in Box 3.2.

Queensland Energy and Jobs Plan

The *Queensland Energy and Jobs Plan* (QEJP) outlines the state's pathway to transform the energy system over the next 10 to 15 years to deliver clean, reliable, and affordable power, creating a platform for strong economic growth and continued investment.

The Plan charts an ambitious infrastructure investment pathway to 2035, including two large-scale pumped hydros in regional Queensland, 22 gigawatts of new renewable energy, and major new transmission lines across the state which will form Queensland's SuperGrid.

In total, the 2023–24 Budget includes a landmark capital investment of around $19 billion across the forward estimates to support the QEJP.

The government's publicly owned energy businesses are leading Queensland's energy transformation, investing in new wind, solar, storage and transmission, supported by the $4.5 billion Queensland Renewable Energy and Hydrogen Jobs Fund.

To date, $2.7 billion has been allocated from the Fund. This includes $192.5 million towards Stanwell's investment in the 252-megawatt (MW) Wambo Wind Farm near Dalby, and $776.1 million towards Stanwell's 500 MW Tarong West Wind Farm near Kingaroy. CS Energy is being supported for renewables investments in Central Queensland, including $564 million from the Fund for wind developments.

The government has also allocated $300 million to CS Energy for energy projects supporting decarbonisation in Central Queensland as well as $500 million to CleanCo to support 2.3 gigawatts of renewables projects in Central Queensland.

Throughout the transformation, the government is committed to maintaining public ownership of energy assets and supporting impacted communities and workers through a range of initiatives, including a $150 million Job Security Guarantee Fund to support affected energy workers through the transformation.

Health capacity expansion

In the 2022–23 Budget, the Queensland Government provided a significant capital boost of $9.785 billion over 6 years to deliver around 2,200 additional overnight beds at 15 facilities across the Queensland health system. In 2023–24, Queensland Health will continue the delivery of this ambitious program, which has now awarded more than $3 billion of contracts to deliver expansions in Brisbane, Ipswich, Mackay, Logan, Townsville and Cairns.

Other major projects commencing or continuing during 2023–24 include:

- opening all 7 Satellite Hospitals at Caboolture, Kallangur, Ripley, Eight Mile Plains, Tugun, Bribie Island and Redlands in 2023–24
- completion of major expansions at Caboolture and Logan Hospitals
- $150 million for a new mental health facility as part of the staged expansion of Redland Hospital.

Water capital expenditure

A significant capital program is planned by the Public Non-financial Corporations water sector over the 4 years to 2026–27 focused on delivering additional water supply and fortifying the flood resilience of water infrastructure. A major driver of this is Seqwater, Sunwater and Gladstone Area Water Board's respective Dam Improvement Programs, which aim to ensure the safety and reliability of state-owned dams so they continue to operate safely during extreme weather events. In 2023–24, $155.8 million will be invested for planning and early works on improvements to Paradise, Burdekin Falls, Somerset, Wivenhoe, North Pine, Lake Macdonald and Awoonga dams.

Major projects commencing or continuing during 2023–24 include:

- a further $440 million commitment, on top of an existing $100 million, has been provided towards Sunwater's Burdekin Falls Dam Improvement and Raising Project, improving and raising the dam by two meters to further support water security
- progression of the $983 million Fitzroy to Gladstone Pipeline to provide long term water security to Gladstone's large industrial base and its urban areas with $548.5 million in 2023−24
- continued construction of the $568.9 million Rookwood Weir with Sunwater expected to spend a further $156.7 million in 2023−24
- advancing planning and preconstruction activities on the $1.2 billion Paradise Dam Improvement Project, supported by $600 million commitments each from the Queensland and Australian Governments, with $116.4 million in 2023−24
- the delivery of the $273.1 million Toowoomba to Warwick Pipeline, part of a more than $300 million investment into water security in the Toowoomba and Southern Downs regions with $13.4 million in 2023−24
- progressing the $128.4 million Mount Crosby Flood Resilience Program to reduce the flood risk of critical bulk water infrastructure with $24.3 million in 2023−24

- completion of the $95.2 million South West Pipeline connecting Beaudesert to the South East Queensland Water Grid with $24.4 million in 2023−24.

Brisbane 2032 Olympic and Paralympic Games

The 2023–24 Queensland Budget includes funding to continue to support preparations for the Brisbane 2032 Olympic and Paralympic Games (Brisbane 2032).

The Budget has provisions for total capital expenditure for Brisbane 2032 venues infrastructure of $7.1 billion over 10 years. This venues infrastructure program is jointly funded by the Queensland and Australian Governments to support the hosting of Brisbane 2032. The allocation of funding for specific venues projects will be subject to government investment decisions following completion of project assessment activities.

The venues infrastructure program comprises the Brisbane Arena ($2.5 billion), the Gabba Redevelopment ($2.7 billion) and 16 new or upgraded venues under the Minor Venues Program ($1.9 billion). Of this, total forecast expenditure over 4 years to 2026–27 is $1.9 billion.

The Budget also includes $44 million as the state's contribution to the University of Queensland's proposed Paralympic Centre of Excellence as part of the Brisbane 2032 Legacy Plan. A further $154.7 million is provided over 4 years from 2024–25 for Economic Development Queensland to deliver public infrastructure to facilitate the development of services and land for the Brisbane Athlete Village.

Social housing

The 2023–24 Queensland Budget is providing increased funding of $1.1 billion for the delivery and supply of social housing across Queensland through the *Housing and Homelessness Action Plan (2021–2025)*, including to meet higher construction costs and to boost the QuickStarts Queensland program target by 500 homes, bringing it to 3,265 social housing commencements by 30 June 2025.

At the Queensland Housing Summit in October 2022, the Queensland Government also boosted the Housing Investment Fund (HIF) to $2 billion. Under the expanded HIF, $130 million per annum is available to support an increased target of 5,600 new social and affordable home commencements by 30 June 2027.

This brings the total investment in social housing to $5 billion for delivery of social and affordable housing, and housing and homelessness support, including $3 billion funding to support the *Housing and Homelessness Action Plan 2021–2025* and $2 billion investment for the Housing Investment Fund.

Support for service delivery

At the same time as delivering significant transformative investment projects, the capital program must continue to support growing service delivery needs. Other key capital investments in 2023–24 include:

- $6.946 billion investment in transport infrastructure. This includes $829.2 million to continue construction work on Cross River Rail, $200 million to commence the Queensland Train Manufacturing Program and substantial ongoing investment to fund major upgrades to the M1 Pacific Motorway, the Bruce Highway and continuing the construction of Stage 3 of the Gold Coast Light Rail
- $1.5 billion to ensure that facilities in Queensland's state schools are world class and continue to meet demand and support contemporary learning requirements. Investment in new schools is being facilitated through the $3 billion Building Future Schools Fund.

Further information about the government's capital program is provided in the Capital Statement (Budget Paper 3).

Box 3.2 Environmental, Social and Governance Credentials

The Queensland Government recognises that establishing and maintaining strong environmental, social, and governance (ESG) credentials is central to achieving sustainable development outcomes and driving the future competitiveness of Queensland business and industry.

In this context, the government is cognisant of identifying and mitigating potential sustainability risks, including through proactive actions and investments to enhance Queensland's strong ESG standards.

Sustainability risks describe ESG factors that can materially impact the community, economy and government.

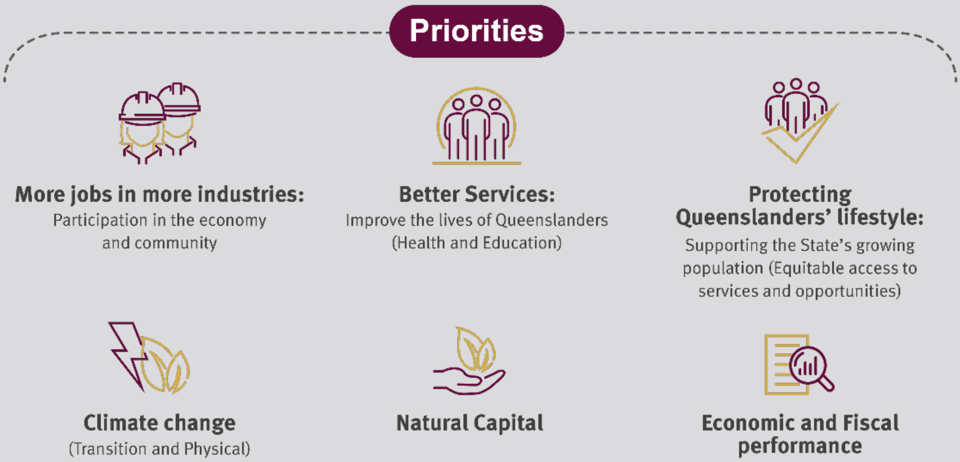
Increased community and financial market focus on understanding potential material impacts of ESG factors have arisen from heightened global integration and heightened awareness of the impacts of climate change.

Sound financial and risk management requires the government to recognise and manage all issues that can materially impact the Queensland economy and the government's fiscal position.

Queensland has identified several material sustainability risks and is proactively implementing policy initiatives to manage them.

ESG Factor	Policy initiatives taken to -
Climate change	Transition to a low carbon future, by lowering greenhouse gas emissions. Address the physical impacts arising from climate change by embedding adaption and resilience
Natural capital	Manage the balance of resources used between industry, the community and safeguarding the natural environment. This includes surface and underground water management, biosecurity, aquaculture, forestry management and environmental protection.
Social	Support an educated, healthy, and skilled community, through education, health services, social welfare, public order, diversity and opportunity, cyber security and safety.
Governance (Economic and fiscal)	Provide robust frameworks that support Ministers and accountable officers to provide oversight and discharge their obligations. Strong economic and fiscal management is fundamental to achieving government's objectives and good governance.

The Queensland Government has embedded sustainability considerations into policy and budget settings to promote sustainable economic growth and development for better communities now and into the future. At the centre of this are Queensland's sustainability priorities.



The state is advancing its Sustainability Priorities by leveraging Queensland's economic strengths and competitive advantages to drive a growing, innovative economy and job creation. Achievement of these sustainability priorities are at the centre of the state ESG credentials, one of the enablers of the state economic strategy.

Strong economic outcomes provide government with the fiscal capacity to take positive actions and deliver continued targeted investment in climate change transition, social services and reforms that strengthen communities and support vulnerable Queenslanders.

Positive action includes:

- Queensland's Economic Strategy to drive economic growth into the future
- maximising opportunities for Queensland's economy and industries based on Queensland's competitive and comparative advantages
- supporting innovation and new technology
- providing a Just Transition through assistance or support programs for impacted industries, workers and communities
- advancing social cohesion.

By implementing initiatives that attract investment and promote innovation, as well as focusing on economic opportunities and enablers aligned with long-term sustainability goals, the government is building a prosperous and sustainable future.

The *Good People, Good jobs: Queensland Strategy 2022–2032* will be central to ensuring the skills and capabilities of the state's workforce are a critical economic enabler to realising the state's economic opportunities.

The government is building a bigger Queensland to deliver an expansion to the health system, expansion to social and affordable housing, decarbonise the state's energy system, improve water security and prepare for the Brisbane 2032 Olympic and Paralympic Games.

By supporting economic growth through enablers and settings that will improve Queensland's productivity the state will deliver sustained increases in real wages and ease cost-of-living pressures over the longer term and support improved standards of living for all Queenslanders.

The *Queensland Climate Action Plan 2030* outlines the state's investments and actions to reach its emissions and renewable targets, create jobs and drive economic growth. This Budget backs the state's ongoing decarbonisation agenda through funding of $520 million to deliver the Low Emissions Investment Partnerships program.

Sustainability risk management is a strategic imperative for the state, with transparency in reporting sitting at its core. The government's proactive and transparent approach to the management of sustainability risks and opportunities is underpinned by its fiscal strategy and financial risk management framework.

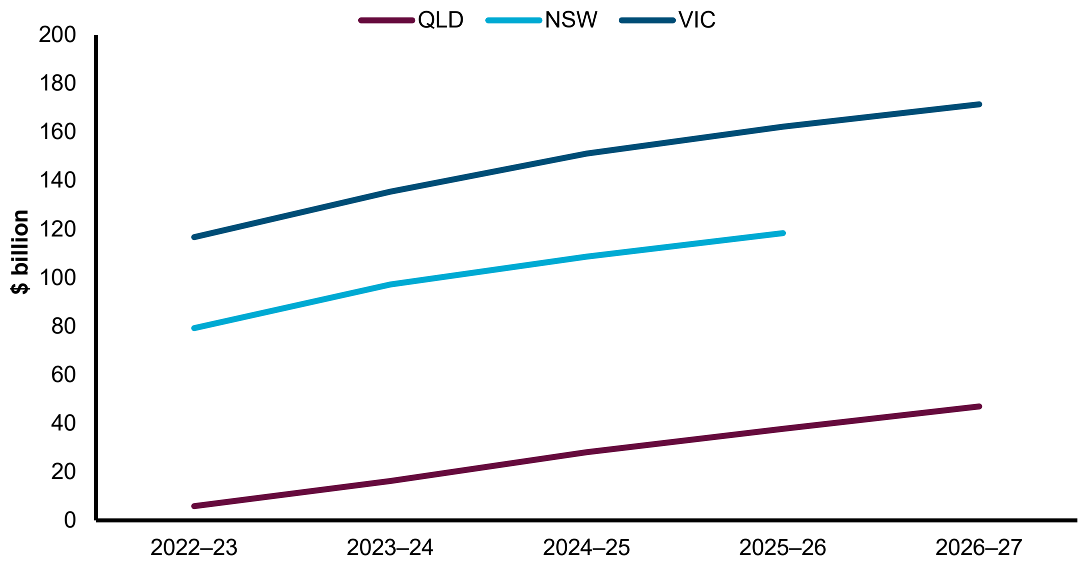
The Queensland Government publishes an annual *Queensland Sustainability Report* which sets out how the government has established its priorities for and approach to managing sustainability risks, provides information on key policies being implemented and reports against performance measures.

3.2.5 Borrowings and net debt

Over successive budgets, the government has worked to limit the legacy impacts of the COVID-19 crisis on borrowings and fiscal sustainability. Prudent use of temporary revenue uplifts has gradually shifted 2022–23 net debt forecasts from 51 per cent of revenue in the 2021–22 Budget, to 27 per cent of revenue in the 2022–23 Budget, to just 7 per cent in this Budget. This represents a $27.474 billion reduction in expected General Government net debt in 2022–23 since the 2021–22 Budget.

The delivery of the government's transformative capital program combined with ongoing global cost escalation means that borrowings will increase over the forward estimates period. However, the reductions to estimated debt that have been achieved in the near term mean that Queensland is well positioned to meet these challenges, with forecast debt levels that continue to compare well to peers. Forecast net debt of $37.648 billion in 2025–26 compares to $118.352 billion for New South Wales (2023 Pre-election Budget Update) and $162.202 billion for Victoria (2023–24 Budget).

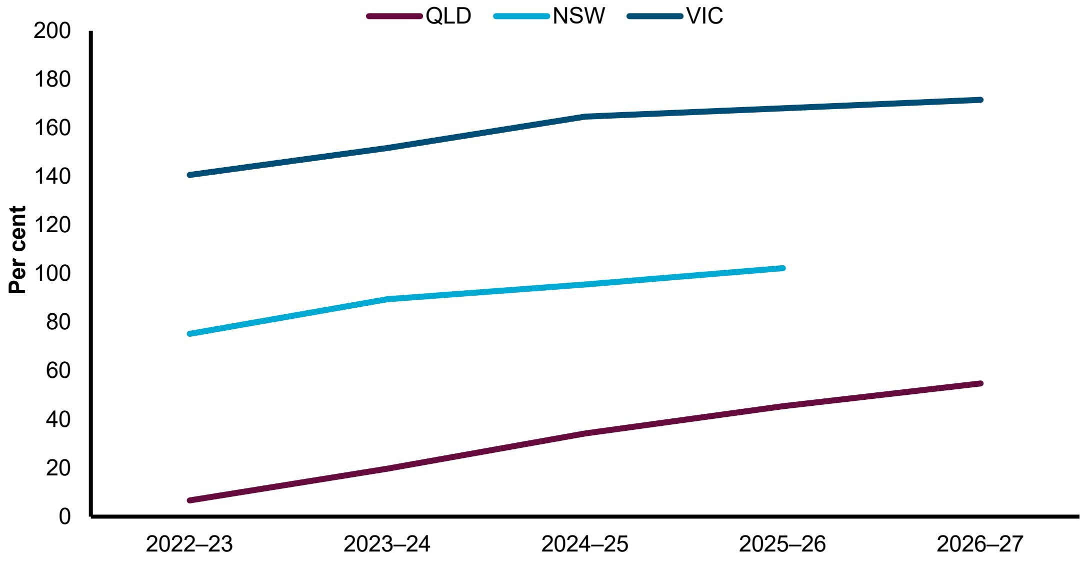
Chart 3.5 State comparison of General Government Sector net debt



Source: 2023 Pre-election Budget Update for NSW, 2023–24 budgets for Queensland and Victoria.

Relative to revenue, Queensland's net debt forecast of 45 per cent in 2025–26 compares to 102 per cent for New South Wales and 168 per cent for Victoria.

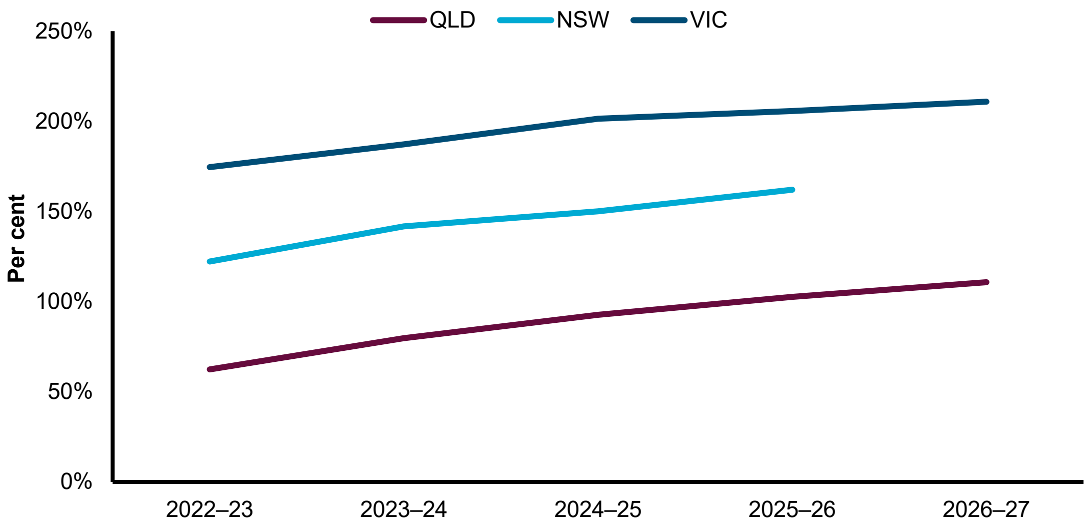
Chart 3.6 State comparison of General Government Sector net debt to revenue



Source: 2023 Pre-election Budget Update for NSW, 2023–24 budgets for Queensland and Victoria.

Total General Government Sector borrowings are expected to be $8.745 billion lower at 30 June 2024 than forecast in the 2022–23 Budget and remain $2.158 billion lower by 30 June 2026. General Government Sector borrowings also compare well to interstate peers. Queensland’s forecast borrowings of $85.127 billion in 2025–26 are far lower than those of New South Wales ($187.490 billion, 2023 Pre-election Budget Update) and Victoria ($198.473 billion, 2023–24 Budget) in both absolute terms and as a percentage of revenue.

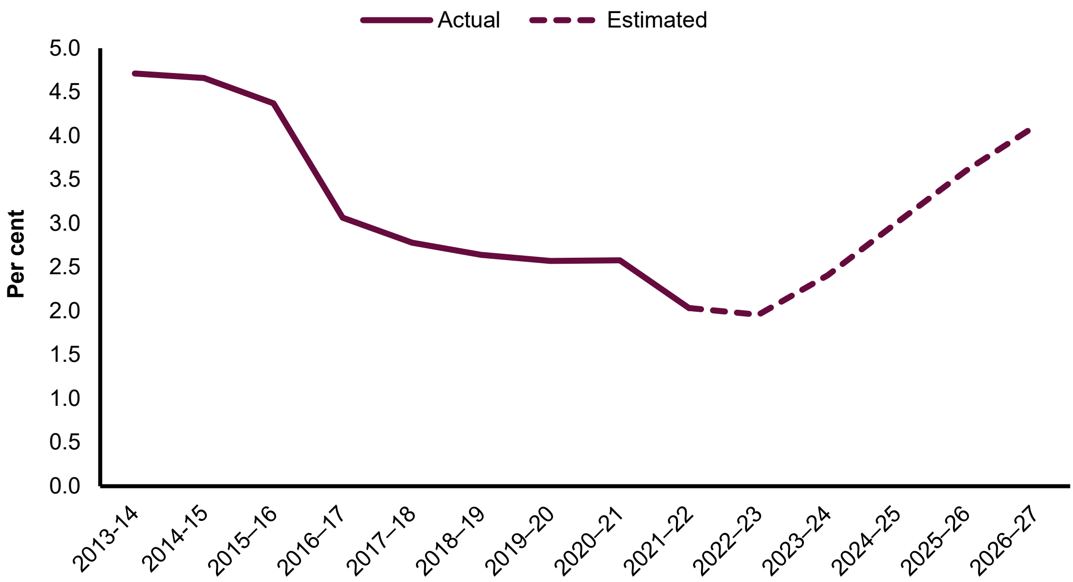
Chart 3.7 Interstate comparison of General Government Sector borrowings to revenue



Source: 2023 Pre-election Budget Update for NSW, 2023–24 budgets for Queensland and Victoria.

Reductions to Queensland's General Government Sector borrowings in the near term are particularly important in light of the risk of increasing debt servicing costs. Queensland's lower levels of debt compared to other states means it is less exposed to future interest rate rises. While Queensland's borrowing costs are increasing as borrowings increase to fund investment, the costs remain manageable. In 2023–24, General Government Sector interest expenses are expected to be around 2.4 per cent of revenue. By 2026–27, interest expenses are expected to increase to 4.1 per cent of revenue, which remains below the peak of 4.7 per cent in 2013–14 (Chart 3.8).

Chart 3.8 General Government Sector ratio of borrowing costs to revenue



Queensland's credit ratings

Queensland's credit rating is stable with S&P Global (AA+), Moody's (Aa1) and Fitch (AA+). Fitch upgraded Queensland's rating from AA to AA+ in December 2021 driven by an upwards reassessment of the state's risk profile to 'Stronger' and a debt sustainability score in the 'a' category. These ratings outcomes are supported by the diversity and strength of Queensland's economy and effective financial management, including the government's commitment to restoring a strong budgetary performance and maintaining borrowings at a sustainable level. The establishment of the Queensland Future Fund – Debt Retirement Fund also demonstrated a commitment to active debt management and supports Queensland's credit rating.

In August 2022, Moody's affirmed Queensland's rating at Aa1 (stable), noting that Queensland's credit strengths are its mature institutional framework and strong governance, which underpin fiscal strength and flexibility, and its large and diverse economic base. The stable outlook reflects that fiscal buffers have largely been rebuilt post-pandemic stimulus, and Moody's expectation that the state's economy will continue to underpin its capacity to service its debt burden.

S&P Global affirmed Queensland's AA+ (stable) rating in April 2023, reflecting that the economy continues to outpace the national average and that liquidity remains exceptional even as debt levels rise due to infrastructure spending. Experienced financial management supports the ratings and delivery of the state's capital program.

Fitch affirmed Queensland's rating at AA+ (stable) in August 2022, reflecting their view that Queensland's economy and fiscal performance will continue to recover from the disruption caused by the pandemic, including prudent economic and financial management and strong outcomes in the near term for commodity exports. Debt is expected to remain manageable as investment in key services increases borrowings.

3.2.6 Emerging Fiscal Pressures

Beyond general uncertainties related to budget parameters assumptions, key emerging fiscal issues include:

- Native Title Compensation Settlement: the government has a potential liability with respect to compensation arising from acts that have extinguished or impaired native title since 1975
- impacts of Australian Government changes to state shares of GST: risks to the longer-term outlook for Queensland's GST revenue resulting from the changes made to the system of GST revenue distribution by the Australian Government in 2018. Further information on GST arrangements is provided in Box 4.6
- adverse weather events are likely to occur in the future with the resulting damage expected to impact on the delivery of state initiatives, noting disaster-related expenses are shared with the Australian Government under DRFA
- challenges arising from delivering significant capital investment in the medium term, including the transformation of the energy system away from a reliance on coal-fired generation, meeting future water demand and providing drought contingency, and preparing to host the Brisbane 2032 Olympic and Paralympic Games.