6 Balance sheet and cash flows

Features

- The increase in revenue is providing the capacity to support the delivery of expanded cost-of-living relief measures to Queensland households and businesses in 2024–25.
- For 2023–24, General Government Sector (GGS) net debt is forecast to be $12.223 billion, which is $3.967 billion lower than expected at the time of the 2023–24 Budget.
- From 2025–26 GGS net debt increases across the remainder of the forward estimates in support of the capital program, however the growth in net debt is expected to slow as the capital program moderates from the peak expected in 2025–26.
- The projected net debt to revenue ratio for 2023–24 has fallen materially over recent budgets. The projected ratio for the 2023–24 financial year has fallen from 77 per cent in the 2020–21 Budget to an estimated actual of 14 per cent in the 2024–25 Budget. This reflects prudent management of an extraordinary revenue uplift, particularly in 2021–22 and 2022–23, which was driven by higher royalties. These revenue windfalls have been used to substantially lower borrowing requirements in the near term, providing the capacity to then fund an expanded infrastructure program over time.
- Queensland's 2024–25 estimated net debt to revenue ratio of 31 per cent is slightly improved from previous forecasts and compares very favourably to its peers at 88 per cent for New South Wales (2023–24 Half-yearly Review) and 163 per cent for Victoria (2024–25 Budget).
- The Non-financial Public Sector (NFPS) capital program over the 4 years to 2027–28 totals $107.262 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), *Homes For Queenslanders*, new investment in the Direct Sunshine Coast Rail Line, delivering the health capacity expansion, providing critical water infrastructure and preparing for the Brisbane 2032 Olympic and Paralympic Games.
- The NFPS capital program for the period 2024–25 to 2027–28 comprises $94.900 billion of purchases of non-financial assets (PNFA), $11.037 billion of capital grant expenses and acquisitions of non-financial assets under finance leases and similar arrangements of $1.325 billion.
- The net worth of the state has increased in 2023–24 by over $44 billion compared to the 2023–24 Budget estimates. The increase is due to the increase in the value of non-financial assets and investments, including in other public sector entities.

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 cost-of-living pressures, natural disasters, and previously the COVID-19 pandemic.

A strong balance sheet provides the government with capacity to:

- prioritise elevated cost-of-living support when the community most needs it
- boosting health, housing and community safety measures in response to strong demand
- support delivery of a transformational capital program.

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.

6.2 Balance sheet

Table 6.1 summarises the key balance sheet aggregates for the General Government Sector.

Table 6.1 General Government Sector – summary of budgeted balance sheet[1]

	2023–24 Budget $ million	2023–24 Est. Act. $ million	2024–25 Budget $ million	2025–26 Projection $ million	2026–27 Projection $ million	2027–28 Projection $ million
Financial assets	84,347	88,677	91,386	95,551	98,902	103,158
Non-financial assets	304,312	343,262	355,190	367,897	380,195	390,113
Total assets	**388,659**	**431,939**	**446,575**	**463,447**	**479,097**	**493,271**
Borrowings	65,479	61,958	77,118	91,507	103,221	111,383
Advances	1,734	2,752	1,662	1,251	1,419	1,812
Superannuation liability	20,827	19,646	19,478	18,447	17,301	16,064
Other provisions and liabilities	29,845	32,699	32,744	33,070	32,868	33,420
Total liabilities	**117,886**	**117,054**	**131,002**	**144,275**	**154,808**	**162,679**
Net worth	**270,774**	**314,884**	**315,573**	**319,172**	**324,289**	**330,591**
Net financial worth	**(33,538)**	**(28,377)**	**(39,617)**	**(48,724)**	**(55,906)**	**(59,522)**
Net financial liabilities	**61,953**	**59,211**	**74,164**	**86,504**	**96,702**	**103,798**
Net debt	**16,190**	**12,223**	**27,407**	**40,552**	**52,076**	**59,831**

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.

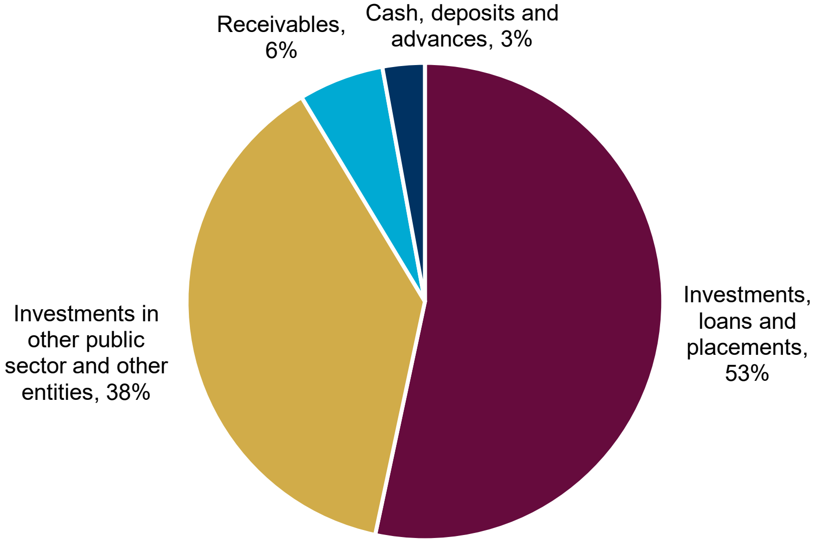
Total financial assets of $88.677 billion are estimated for 2023–24, $4.33 billion higher than published in the 2023–24 Budget. Investments, loans and placements have increased by $1.489 billion since the 2023–24 Budget, predominantly due to strong returns of the State's long term assets.

As the value of GOCs increases due to capital investment and revaluations, total financial assets are expected to increase by $2.708 billion to $91.386 billion by 30 June 2025.

Further increases in the value of public enterprises mean financial assets will continue to grow over the forward estimates and are projected to reach $103.158 billion by 30 June 2028.

Chart 6.1 shows forecast General Government Sector financial assets by category at 30 June 2025.

Chart 6.1 Forecast General Government Sector financial assets by category, at 30 June 2025



6.2.2 Non-financial assets

General Government Sector non-financial assets are estimated to be $343.262 billion at 30 June 2024, $38.949 billion higher than expected in the 2023–24 Budget.

Non-financial assets in 2024–25 are expected to increase by a further $11.928 billion to be $355.19 billion at 30 June 2025.

Total non-financial assets at 30 June 2025 consist primarily of land and other fixed assets of $344.437 billion, the majority of which are roads, schools, hospitals and other infrastructure. Other non-financial assets of $10.752 billion held by the state include prepayments and deferred income tax assets relating to GOCs.

General Government Sector capital expenditure for 2024–25 is forecast to be $17.021 billion, which comprises $12.831 billion of PNFA and $4.189 billion of capital grant expenses. In addition, acquisitions of non-financial assets under finance leases and similar arrangements are forecast to be $692 million, bringing the General Government Sector capital program for 2024–25 to $17.713 billion.

Over the 4 years to 2027–28, General Government Sector capital expenditure is forecast to be $65.790 billion, which comprises $54.656 billion of PNFA and $11.133 billion of capital grants expenses. Acquisitions of non-financial assets under finance leases and similar arrangements are forecast to be $976 million, bringing the total General Government Sector capital program over the period to $66.766 billion.

Over the forward estimates, the government will invest in:

- transformative transport infrastructure, including Direct Sunshine Coast Rail Line, the Coomera Connector, additional train rollingstock, Gold Coast Light Rail, M1 highway upgrades and Cross River Rail
- delivery of new social housing including projects under *Homes for Queenslanders*
- construction of new schools, including a new public school at Gracemere
- critical infrastructure upgrades and construction, including the Woodford and Cairns Youth Detention Centres and hospitals
- 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 $976 million over the period 2024–25 to 2027–28 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 2027–28, the capital program for the Public Non-financial Corporations sector is forecast to be $40.624 billion. This is $6.897 billion more than the 2023–24 Budget capital program for this sector, mainly due to further renewable energy infrastructure with the roll-out of the *Queensland Energy and Jobs Plan*, which will transform Queensland’s energy system over the next 10 to 15 years to deliver clean, reliable and affordable power.

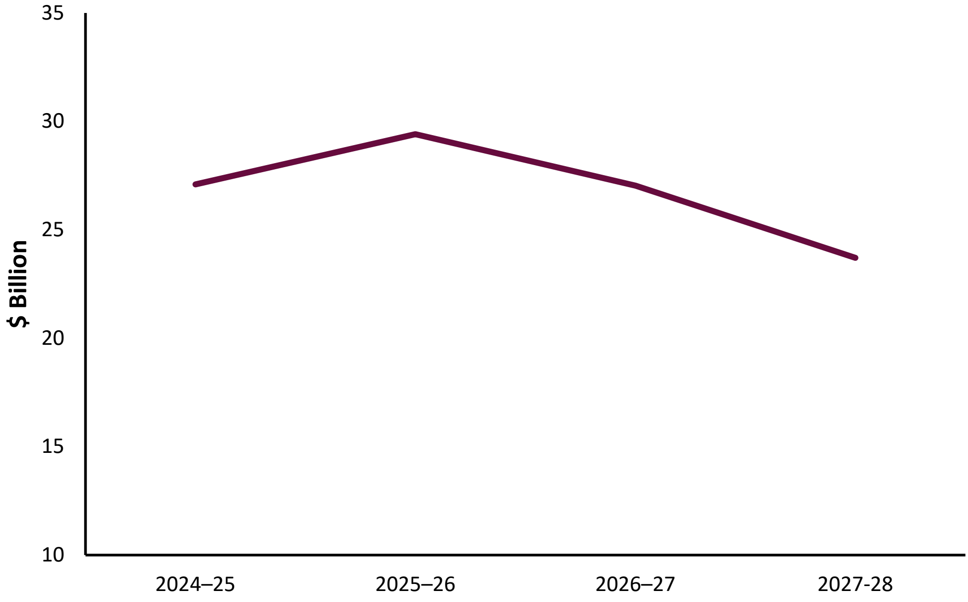
Queensland’s publicly owned energy businesses are investing in new wind, solar, storage and transmission infrastructure. This includes large-scale, long duration pumped hydro, investment in CopperString 2032 connecting the North West Minerals Province to the national electricity grid, and a strong pipeline of renewable energy and storage projects.

The current estimate of the state’s total capital program over the 4 years to 2027–28 is $107.262 billion. The PNFA by the NFPS over this period are forecast to be $94.900 billion. With capital grant expenses of $11.037 billion, this brings total capital expenditure to $105.937 billion. In addition to this, acquisitions of non-financial assets under finance leases and similar arrangements of $1.325 billion bring the total capital program over the period to $107.262 billion.

Chart 6.2 shows the capital program is expected to peak in 2025–26 before moderating across the remaining outyears.

This moderation reflects several factors, but essentially, there is a greater degree of flexibility with medium term capital scheduling given the spending profile of significant programs such as the QEJP, the Hospital Capacity Expansion Program and the completion of large projects such as the Cross River Rail.

Chart 6.2 Non-financial Public Sector Annual Capital Program



6.2.3 Liabilities

General Government Sector

Total General Government Sector liabilities are estimated to be $117.054 billion at 30 June 2024 of which the largest component is borrowings at $61.958 billion. Borrowing at 30 June 2024 is $3.521 billion lower than the 2023–24 Budget estimate and $1.415 billion lower than estimated at the 2023–24 Budget Update.

By 2024–25 borrowing is marginally higher at $277 million than the estimate at 2023–24 Budget Update even after incorporating elevated, but temporary, cost-of-living support. The increase in the 4-year capital program means the government's debt profile has shifted up since the 2023–24 Budget Update. General Government borrowings are now expected to reach $103.2 billion in 2026–27, which is $6.5 billion higher than the 2023–24 Budget Update. However, as the peak in capital spending in 2025–26 passes, the debt burden trajectory reduces.

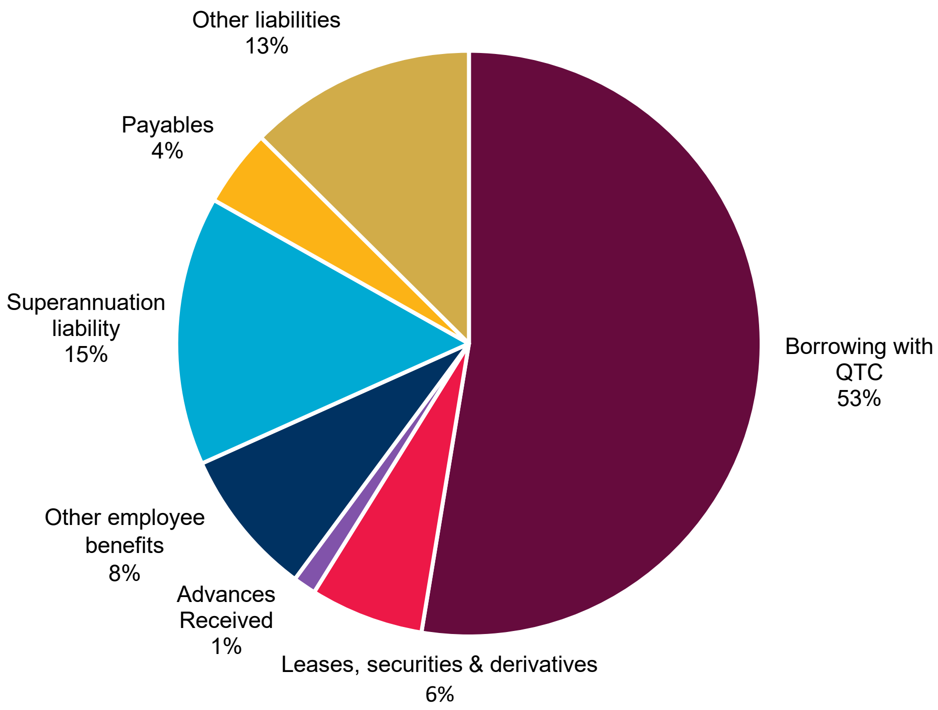
Over the forward estimates the annual call on new borrowing to fund the state's capital program declines as operating cash flows improve. By 2027–28 operating cash flows are expected to fund 64 per cent of net purchase of non-financial assets in spite of provisioning an additional $2 billion in operating expenses and $150 million in 2026–27.

By 30 June 2028 borrowing is expected to be $111.383 billion.

The defined benefit superannuation liability is projected to be $19.646 billion at 30 June 2024, $1.181 billion lower than expected in the 2023–24 Budget. This is predominantly due to a change in actuarial assumptions. By 30 June 2025 the superannuation liability is projected to be $19.478 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 2025 is illustrated in Chart 6.3.

Chart 6.3 Forecast General Government Sector liabilities by category, as at 30 June 2025



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 $108.569 billion by 30 June 2024, $2.069 billion lower than the 2023–24 Budget.

By 30 June 2028 NFPS borrowing is expected to be $171.987 billion.

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 2023–24 is estimated to be $12.223 billion, $3.967 billion lower than expected in the 2023–24 Budget. The lower net debt is predominantly due to lower borrowing requirements from improved net cash flows from operating activities and better than expected returns on the State's long term assets.

The net debt to revenue ratio for the GGS in 2024–25 is forecast to be 31.1 per cent, an improvement compared to the ratio of 34.2 per cent in the 2023–24 Budget.

Queensland's 2024–25 estimated net debt to revenue ratio of 31 per cent compares favourably to its peers at 88 per cent for New South Wales (2023–24 Half-yearly Review) and 163 per cent for Victoria (2024–25 Budget).

6.2.5 Net financial liabilities

Net financial liabilities are total liabilities, less financial assets other than equity instruments in other public sector entities. This measure is broader than net debt as it includes other significant liabilities rather than just borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements).

The net financial liabilities of the General Government Sector for 2023–24 are estimated to be $59.211 billion and are estimated to increase by $14.953 billion by 30 June 2025. This increase is commensurate with the expected increase in borrowings to invest in infrastructure to deliver economic growth and better services for Queenslanders.

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 $303.973 billion at 30 June 2023. It is expected to increase to $314.884 billion in 2023–24.

Net worth has increased in 2023–24 with the increases in the value of non-financial assets and investments, including in other public sector entities.

The net worth of the NFPS is projected to steadily grow over the forward estimates to be $330.591 billion by 2027–28.

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 deficit for 2023–24 is estimated to be $7.153 billion, which is $143 million higher than the deficit forecast at the time of the 2023–24 Budget. This followed a surplus of $10.167 billion in 2022–23.

A cash deficit of $11.076 billion is forecast for 2024–25, reducing to an estimated deficit of $4.565 billion in 2027–28.

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 $10.767 billion over the period from 2024–25 to 2027–28. These equity injections will largely 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 $12.831 billion are budgeted for 2024–25. Over the period from 2024–25 to 2027–28, General Government Sector PNFA are expected to total $54.656 billion as Queensland invests substantially in economic growth, health, housing, education, roads and rail infrastructure to provide better services and prepare for the Brisbane 2032 Olympic and Paralympic Games.