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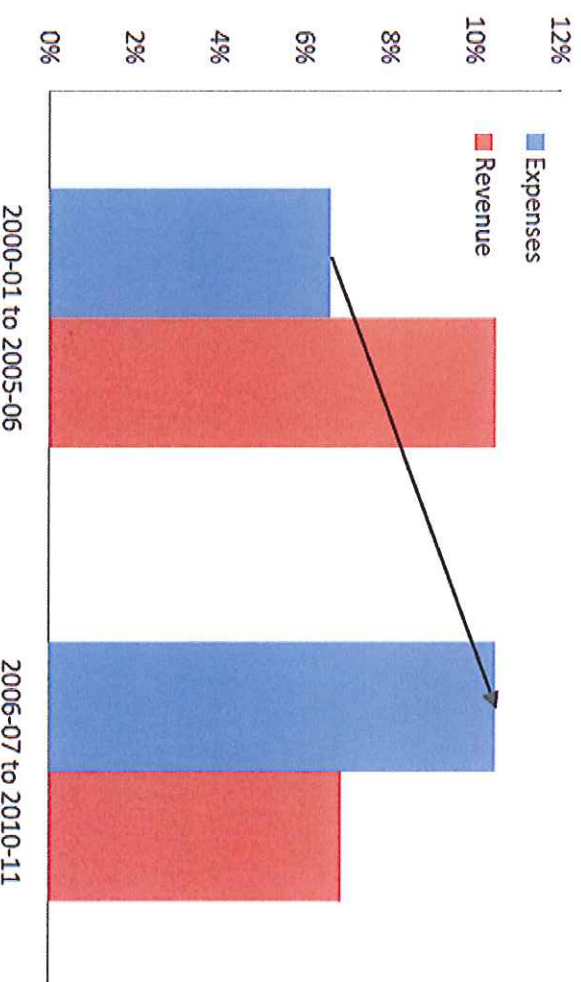
Helen Gluer, Under Treasurer  
Queensland Treasury and Trade

### 1.3. LACK OF EFFECTIVE EXPENDITURE RESTRAINT

Since 2005-06, the State has been “living beyond its means”, with expenses growth significantly outstripping revenue. In the period between 2006-07 and 2010-11:

- expenses grew at an average annual rate of 10.5%
- revenue grew at an average annual rate of only 6.9%.

**Chart 1.7**  
**Growth in General Government revenue and expenses**



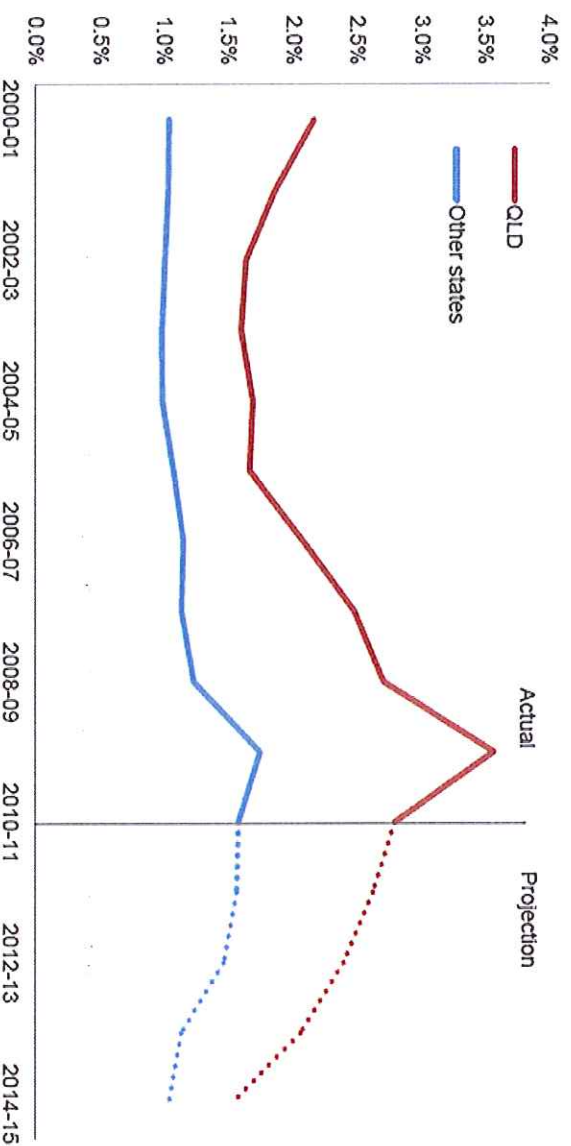
Source: Treasury

Queensland has traditionally been a low tax state – its taxation revenue effort is 10% lower than the Australian average – but since 2007-08 its level of services spending has been around 6% higher than the Australian average.

Great state. Great opportunity.

Queensland Commission of Audit Interim Report June 2012

**Chart 1.9**  
General Government capital expenditure as a share of GSP, interstate comparison



Source: Treasury

There is a case for higher levels of capital expenditure in Queensland, relative to other States, to support population growth and the infrastructure needs of a heavily decentralised state. Major infrastructure investment has occurred in the following areas:

- the South East Queensland Infrastructure Plan
- the upgrade of the electricity distribution network (following the recommendations of the Somerville Review)
- the upgrade of the water infrastructure network
- the “more beds for Queensland” hospital rebuilding and expansion program.

Nevertheless, the wide fluctuations in capital investment effort have compounded the difficulties of maintaining a responsible approach to financial management. In 2005-06, just 34% of capital expenditure was funded by borrowings. By 2010-11, 96% of all capital investment in the Queensland public sector was funded from borrowings.



## Implications For Fiscal Principles

Queensland's previous preeminent financial position was heavily grounded in an adherence to a core set of fiscal principles that guided successive Queensland Governments. For nearly two decades, these principles gave Queensland low levels of debt and put Queensland far ahead of the rest of Australia in terms of recognising and funding accruing liabilities.

Over the last decade there has been a progressive dilution of these principles.

The Queensland Government went to the 2012 election with the following set of fiscal principles aimed at restoring Queensland's fiscal position:

- Return the budget to operating surplus by 2014-15 and pay down Labor's debt
- Ensure expense growth does not exceed revenue growth
- Subject major capital projects to Cost Benefit Analysis
- Put in place a plan to regain the AAA credit rating to reduce the cost of borrowing
- Fully fund long term liabilities such as superannuation in accordance with actuarial advice

The Government has reviewed these in light of the Commission's report and adopts the following principles as the prime determinant for its fiscal strategy during this term. These represent a return to the core set of principles that underpinned Queensland's historic fiscal strength.

During the 2012 election, the Government committed to achieving an operating surplus by 2014-15. We remain committed to this outcome. The Commission of Audit has emphasised that fiscal repair will require realigning Government recurrent and capital spending so that it can be fully funded from the State's recurrent revenue. The achievement of an operating surplus in itself is not sufficient for Government to attain fiscal sustainability or maintain or improve its credit rating given the impact of capital investment on the debt position. Governments need to strike a balance between an investment in capital to meet population and economic growth and the affordability of that infrastructure.

The 2012-13 State Budget papers will report both the operating balance and the fiscal balance.

## 2012-13 BUDGET AND OUTYEAR PROJECTIONS

### Key financial aggregates

Table 2.5 provides aggregate actual outcome information for 2010-11, estimated actual outcome information for 2011-12, forecasts for 2012-13 and projections for the outyears.

**Table 2.5**  
**General Government sector – key financial aggregates<sup>1</sup>**

	2010-11 Actual <sup>2</sup> \$ million	2011-12 Est. Act. \$ million	2012-13 Budget \$ million	2013-14 Projection \$ million	2014-15 Projection \$ million	2015-16 Projection \$ million
Revenue	41,957	45,707	42,224	47,967	51,646	52,963
Expenses	43,473	46,021	48,518	47,950	48,776	50,722
Net operating balance	(1,516)	(314)	(6,294)	17	2,871	2,241
Fiscal balance	(7,089)	(5,623)	(10,768)	(3,752)	652	747
Gross borrowing	25,089	30,017	41,309	45,535	46,166	46,211

Notes:

1. Numbers may not add due to rounding.
2. Reflects published actuals.

Budget Strategy and Outlook 2012-13

## FISCAL OUTLOOK

**Table 2**  
**General Government sector – key financial aggregates<sup>1</sup>**

	2011-12 Actual <sup>2</sup> \$ million	2012-13 Budget \$ million	2012-13 Est. Act \$ million	2013-14 Projection \$ million	2014-15 Projection \$ million	2015-16 Projection \$ million
Revenue	45,794	42,224	41,565	46,980	51,224	52,410
Expenses	46,027	48,518	48,264	47,764	48,531	50,290
Net operating balance	(233)	(6,294)	(6,699)	(783)	2,693	2,121
Fiscal balance	(5,482)	(10,768)	(11,213)	(4,647)	534	670
Borrowing (NFPs) <sup>3</sup>	61,521	73,717	72,447	79,135	80,638	82,536

**Notes:**

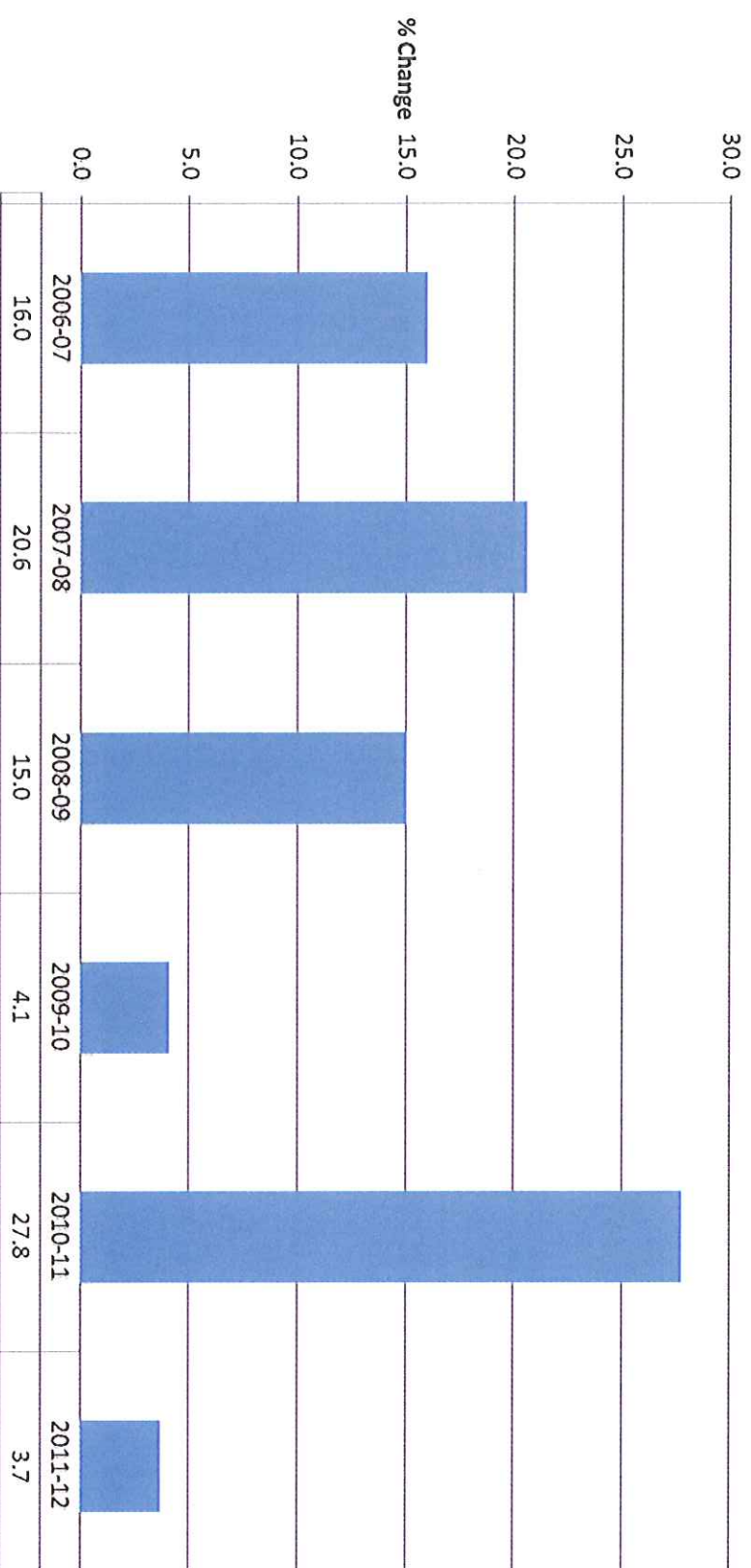
1. Numbers may not add due to rounding.
2. Reflects published actuals.
3. NFPs: Non-financial Public sector.

Mid Year Fiscal and Economic Review 2012-13

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## Queensland child protection services expenditure percentage change



Average percentage increase per year of 14.2%

Source: Report on Government services 2007 to 2013, Table 15A.1, as published

## Queensland out-of-home care services expenditure percentage change

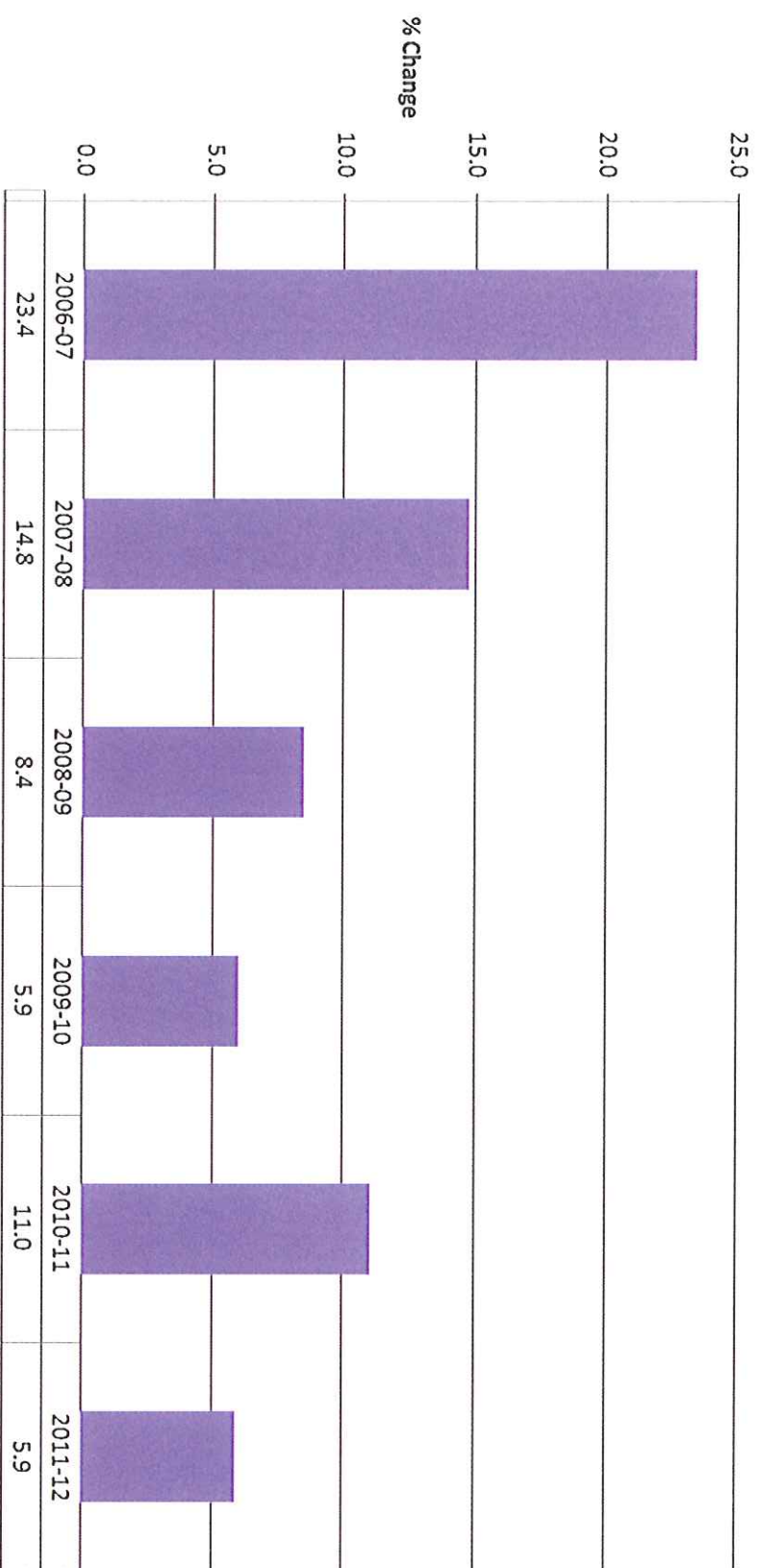


Average percentage increase per year of 11.4%

Source: Report on Government services 2007 to 2013, Table 15A.1, as published



# Queensland child protection, out-of-home care and intensive family support services percentage change



Average percentage increase per year of 11.4%

Source: Report on Government services 2007 to 2013, Table 15A.1, as published