# Report on a page

This report examines how the Queensland Government is managing its debt and investments and reports on some recent transactions relating to these. It also discusses risks associated with the debt and investments and how these relate to the work of government entities.

## Net debt levels are expected to increase in future years

In 2021–22, positive economic factors meant net debt (financial liabilities minus financial assets) decreased. This contrasted with recent years, when the government borrowed more to stimulate the economy.

The government expects its net debt to increase over the next 4 years, as it uses borrowings to cover the cost of infrastructure and other major initiatives. Significant announcements have also been made about infrastructure to be delivered up to 2035, with funding for these projects to be included in future budgets.

Interest rates have risen, which will affect the associated expenses – particularly for new borrowings. This will have an impact on the government's fiscal principles relating to debt management, specifically the ratio of net debt to revenue ('fiscal' refers to government spending, revenues, and/or debt). Over the coming years, this is expected to become more of an issue, as borrowings are expected to increase and will be at a higher interest rate.

## Investments have been volatile in recent years

The government holds investments across several entities, mainly to help fund future obligations it is required to meet. In recent years, the macroeconomic impacts of COVID-19 and other geopolitical events have caused additional volatility across investment portfolios.

Many of the entities holding investments – namely, the insurance entities within government – are facing extra challenges due to an increase in the cost of services they fund. For example, there have been significant increases in the cost of building materials and medical services.

These entities need to ensure they have enough investments to fund their liabilities, as they fall due.

## The Debt Retirement Fund has diversified

The Queensland Future Fund – Debt Retirement Fund was established in 2020–21, and it diversified its investments in 2021–22. It did this by investing into different types of assets, in line with the strategy set for its portfolio. It did not pay down any government debt during the year, but it was used to offset state debt and support Queensland's credit rating. There was a small decrease in its value from $7.742 billion as at 30 June 2021 to $7.718 billion as at 30 June 2022.

## The Residential Tenancies Authority's funding and investment model has changed

Historically, the Residential Tenancies Authority has relied on investment returns to fund its operations, but this has been affected by market volatility for multiple years. At the end of 2021–22, it sold its investments to the government and received the equivalent value in cash in return. Its operations will now be funded through annual grants.