



Victorian Budget 15 | 16

For Families



Presented by Tim Pallas MP,
Treasurer of the State of Victoria

**Statement of Finances
(incorporating Quarterly
Financial Report No. 3)
Budget Paper No. 5**

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(incorporating Quarterly Financial Report No. 3)



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Statement of Finances

2015-16



Presented by

Tim Pallas MP

Treasurer of the State of Victoria

for the information of Honourable Members

Budget Paper No. 5

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CHAPTER 1 – ESTIMATED FINANCIAL STATEMENTS FOR THE GENERAL GOVERNMENT SECTOR

The following Estimated Financial Statements and accompanying explanatory notes set out the forecast financial results for the Victorian general government sector for the period 2015-16 to 2018-19.

The Estimated Financial Statements have been prepared in accordance with the provisions of the *Financial Management Act 1994*. This Act requires the Estimated Financial Statements to be consistent with the financial policy objectives and strategies statement (see Budget Paper No. 2, Chapter 1 *Economic and Fiscal Overview*), in a manner and form determined by the Treasurer, having regard to appropriate financial reporting frameworks.

The statements have been prepared having regard to applicable Australian Accounting Standards. As there is no specific Australian accounting standard or other authoritative pronouncement that prescribes the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared based on the principles set out in the New Zealand Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements* (FRS-42).

The statements are presented in a manner consistent with the principles of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This standard is also consistent with the Uniform Presentation Framework (UPF) as it relates to the general government sector. Additional disclosures in relation to the UPF are included in Chapter 2 *Supplementary uniform presentation framework tables*.

The prospective nature of these statements reflects a number of judgements about the most likely operating and financial conditions for the Victorian general government sector. Variations in these assumed conditions, such as international developments and other risks to the national economy, from which Victoria would not be immune, may cause the Victorian general government sector actual results to differ from the projections. However, appropriate professional judgement has been applied in the preparation of the Estimated Financial Statements.

The Victorian Auditor-General has reviewed the Estimated Financial Statements and his review report follows.

AUDITOR-GENERAL'S REPORT



INDEPENDENT ASSURANCE REPORT ON THE ESTIMATED FINANCIAL STATEMENTS

To the Members of the Parliament of Victoria

The accompanying estimated financial statements for the year ending 30 June 2016 and the three forward years ending 30 June 2017, 2018, and 2019 of the Victorian General Government Sector have been prepared on the basis of the assumptions stated in Note 1. I have reviewed the accompanying estimated financial statements, which comprise the estimated comprehensive operating statement, revised 2015 balance sheet, estimated balance sheet, estimated cash flow statement, estimated statement of changes in equity, a statement of significant accounting policies and forecast assumptions and other explanatory information and the certification by the Treasurer and the Department of Treasury and Finance. The remaining parts of the Budget Papers have not been subject to my review.

Treasurer's Responsibility for the Estimated Financial Statements

The Treasurer of Victoria is responsible for the preparation and presentation of the estimated financial statements in accordance with sections 23H-23K of the *Financial Management Act 1994* and for establishing and maintaining such internal controls as determined to be necessary to enable the preparation of estimated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required under section 16B of the *Audit Act 1994*, my responsibility is to express a limited assurance conclusion on the estimated financial statements, based on my review. My review has been conducted in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* in order to state whether, on the basis of the procedures described, anything has come to my attention that would cause me to not believe that the estimated financial statements:

- have been prepared on a basis consistent with the accounting policies on which they are stated to be based
- are consistent with the target established for the key financial measure specified in Note 1
- have been properly prepared on the basis of the assumptions stated in Note 1
- use reasonable methodologies to determine those assumptions.

This standard also requires compliance with relevant ethical requirements.

The limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain reasonable assurance that I would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, I do not express an audit opinion.

AUDITOR-GENERAL'S REPORT *(continued)*

Independent Assurance Report *(continued)*

Auditor's Responsibility (continued)

I am not responsible for ensuring the estimated financial results are achieved. Actual results achieved by the Victorian General Government Sector may differ from those forecast in the estimated financial statements and the variation may be material.

I express no opinion as to whether the forecasts will be achieved, nor do I express an opinion on whether previous forecasts have been achieved.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the review, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Review Conclusion

Based on my review, which is not an audit, nothing has come to my attention that causes me to not believe that:

- the estimated financial statements have been prepared on a basis consistent with the accounting policies on which they are stated to be based
- the estimated financial statements are consistent with the target established for the key financial measure specified in Note 1
- the estimated financial statements have been properly prepared on the basis of the assumptions contained in Note 1
- the methodologies used to determine those assumptions are reasonable.



John Doyle
Auditor-General

MELBOURNE
1 May 2015

CERTIFICATION BY THE TREASURER AND THE DEPARTMENT OF TREASURY AND FINANCE

The Estimated Financial Statements of the Victorian general government sector have been prepared on the basis of the economic and fiscal information available to the Department of Treasury and Finance.

In our opinion, the Estimated Financial Statements, which comprise the estimated general government sector comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity, together with the notes to the estimated financial statements for the year ending 30 June 2016 and the three forward years ending 30 June 2017, 2018 and 2019:

- (a) have been prepared in accordance with sections 23H – 23K of the *Financial Management Act 1994*, having regard to relevant Australian Accounting Standards and pronouncements, and in the absence of an Australian Accounting Standard for the preparation of prospective financial statements, New Zealand Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements*;
- (b) take into account government decisions and other circumstances that may have a material effect; and
- (c) have been prepared using best professional judgement given the prospective nature of the Estimated Financial Statements.

At the time of signing, we are not aware of any circumstances which would render any particulars included in the Estimated Financial Statements to be misleading.



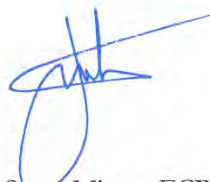
Tim Pallas MP

Treasurer



David Martine

Secretary



Steve Mitsas, FCPA

Principal Accounting Officer

1 May 2015

ESTIMATED FINANCIAL STATEMENTS

Table 1.1: Estimated general government sector comprehensive operating statement for the financial year ending 30 June

(\$ million)

	Notes	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Revenue from transactions					
Taxation revenue	2	19 024.5	19 804.5	20 402.8	21 339.6
Interest revenue		830.8	852.6	862.6	866.8
Dividends and income tax equivalent and rate equivalent revenue	3	1 144.3	988.8	1 011.8	1 052.4
Sales of goods and services	4	6 779.1	6 908.9	7 016.3	7 025.7
Grant revenue	5	25 579.5	26 089.6	27 507.6	28 605.4
Other revenue	6	2 170.6	2 249.4	2 235.4	2 289.1
Total revenue from transactions		55 528.7	56 893.9	59 036.6	61 179.1
Expenses from transactions					
Employee expenses		19 903.4	20 568.2	21 491.6	22 346.0
Net superannuation interest expense	7a	886.5	859.5	831.5	798.2
Other superannuation	7a	2 101.7	2 107.1	2 121.9	2 147.4
Depreciation	8	2 576.9	2 721.6	2 880.2	3 146.1
Interest expense	9	2 096.1	2 099.1	2 162.8	2 118.3
Grant expense	10	8 686.9	9 148.6	9 547.3	9 849.3
Other operating expenses	11	18 058.3	17 993.3	18 635.8	18 945.4
Total expenses from transactions	12	54 309.8	55 497.4	57 671.0	59 350.7
Net result from transactions – net operating balance		1 218.9	1 396.5	1 365.6	1 828.4
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		63.6	65.5	74.4	65.5
Net gain/(loss) on financial assets or liabilities at fair value		5 402.2	10.2	10.2	10.2
Other gains/(losses) from other economic flows	13	(318.4)	(331.5)	(340.2)	(350.7)
Total other economic flows included in net result		5 147.4	(255.7)	(255.6)	(275.0)
Net result		6 366.3	1 140.8	1 110.1	1 553.4

Table 1.1: Estimated general government sector comprehensive operating statement for the financial year ending 30 June (continued)

(\$ million)

	Notes	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		755.8	513.0	9 501.1	421.8
Remeasurement of superannuation defined benefit plans	7a	962.4	995.0	1 027.3	1 062.8
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	14	1.5	(378.0)	(222.8)	(255.4)
Other movements in equity		5.7	1.1	5.3	24.1
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		1.2	1.3	1.3	1.3
Total other economic flows – other comprehensive income		1 726.7	1 132.4	10 312.2	1 254.7
Comprehensive result – total change in net worth		8 092.9	2 273.2	11 422.2	2 808.1
KEY FISCAL AGGREGATES					
Net operating balance		1 218.9	1 396.5	1 365.6	1 828.4
Less: Net acquisition of non-financial assets from transactions	15	1 410.3	1 510.1	1 042.5	(228.8)
Net lending/(borrowing)		(191.4)	(113.6)	323.2	2 057.2

The accompanying notes form part of these Estimated Financial Statements.

Table 1.2: Estimated general government sector balance sheet as at 30 June

(\$ million)

	Notes	2015 revised	2016 budget	2017 estimate	2018 estimate	2019 estimate
Assets						
Financial assets						
Cash and deposits		4 912.6	5 110.2	5 428.9	5 794.1	6 181.6
Advances paid	16	4 567.9	4 520.6	4 484.3	4 438.5	4 387.0
Receivables		5 010.0	4 857.6	4 825.1	4 876.3	4 996.2
Investments, loans and placements	16	3 039.3	3 146.4	3 275.3	3 410.6	3 547.8
Investments accounted for using equity method		44.1	44.1	44.1	44.1	44.1
Investments in other sector entities	14, 1H	80 446.8	80 697.3	82 335.7	82 994.0	84 905.9
Total financial assets		98 020.7	98 376.3	100 393.4	101 557.7	104 062.6
Non-financial assets						
Inventories		155.1	158.5	162.0	166.4	170.9
Non-financial assets held for sale		128.5	128.5	128.5	128.5	128.5
Land, buildings, infrastructure, plant and equipment	17, 18	109 633.6	111 780.6	113 878.7	124 523.0	124 768.3
Other non-financial assets	19	1 208.5	1 147.4	1 113.8	950.6	877.3
Total non-financial assets		111 125.6	113 214.9	115 282.9	125 768.5	125 944.9
Total assets	20d	209 146.3	211 591.2	215 676.4	227 326.2	230 007.5
Liabilities						
Deposits held and advances received		426.4	426.3	426.2	426.1	426.1
Payables	21	5 864.2	5 593.9	5 510.5	5 433.1	5 209.3
Borrowings	22	33 333.4	29 248.7	32 021.2	32 667.2	33 525.0
Employee benefits	23	5 519.7	5 766.8	6 008.9	6 255.6	6 498.7
Superannuation	7d	30 752.2	29 808.9	28 668.9	28 057.1	27 024.8
Other provisions		1 261.7	664.9	685.8	709.9	738.5
Total liabilities		77 157.6	71 509.6	73 321.5	73 549.1	73 422.3
Net assets		131 988.7	140 081.7	142 354.8	153 777.1	156 585.1
Accumulated surplus/(deficit)		39 828.6	47 152.0	49 274.5	51 402.0	54 027.3
Reserves	24	92 110.2	92 879.6	93 030.4	102 325.0	102 507.8
Non-controlling interest		50.0	50.0	50.0	50.0	50.0
Net worth		131 988.7	140 081.7	142 354.8	153 777.1	156 585.1
FISCAL AGGREGATES						
Net financial worth		20 863.1	26 866.8	27 071.9	28 008.6	30 640.2
Net financial liabilities		59 583.7	53 830.6	55 263.8	54 985.5	54 265.7
Net debt		21 240.0	16 897.8	19 259.0	19 450.2	19 834.7

The accompanying notes form part of these Estimated Financial Statements.

Table 1.3: Estimated general government sector cash flow statement for the financial year ending 30 June

(\$ million)

	Notes	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Cash flows from operating activities					
Receipts					
Taxes received		19 007.3	19 736.0	20 254.6	21 193.0
Grants		25 668.3	26 089.6	27 507.6	28 605.4
Sales of goods and services ^(a)		7 531.3	7 730.4	7 811.0	7 667.2
Interest received		811.8	835.5	845.3	849.5
Dividends and income tax equivalent and rate equivalent receipts		1 143.5	1 009.1	1 014.4	991.2
Other receipts		1 741.4	1 821.8	1 811.9	1 850.4
Total receipts		55 903.6	57 222.3	59 244.9	61 156.8
Payments					
Payments for employees		(19 657.1)	(20 326.8)	(21 245.6)	(22 103.6)
Superannuation		(2 969.0)	(3 111.6)	(2 537.9)	(2 915.0)
Interest paid		(2 058.6)	(2 062.7)	(2 126.3)	(2 081.8)
Grants and subsidies		(8 748.0)	(9 233.7)	(9 503.0)	(9 805.0)
Goods and services ^(a)		(18 055.5)	(17 941.0)	(18 540.7)	(18 868.5)
Other payments		(660.5)	(690.0)	(721.0)	(749.1)
Total payments		(52 148.7)	(53 365.8)	(54 674.4)	(56 523.0)
Net cash flows from operating activities		3 754.9	3 856.5	4 570.4	4 633.8
Cash flows from investing activities					
Purchase of non-financial assets	20a, b	(4 551.7)	(6 166.9)	(5 663.1)	(5 194.3)
Sales of non-financial assets		322.0	554.1	489.9	294.0
Cash flows from investments in non- financial assets		(4 229.7)	(5 612.7)	(5 173.2)	(4 900.3)
Net cash flows from investments in financial assets for policy purposes	1H	6 510.8	(150.5)	1 110.8	(69.3)
Subtotal		2 281.1	(5 763.2)	(4 062.4)	(4 969.5)
Net cash flows from investment in financial assets for liquidity management purposes		(82.6)	(124.6)	(129.1)	(128.7)
Net cash flows from investing activities		2 198.5	(5 887.8)	(4 191.5)	(5 098.2)
Cash flows from financing activities					
Net borrowings		(5 755.7)	2 350.1	(13.6)	852.0
Deposits received (net)		(0.1)	(0.1)	(0.1)	(0.1)
Net cash flows from financing activities		(5 755.8)	2 350.0	(13.6)	851.9

Table 1.3: Estimated general government sector cash flow statement for the financial year ending 30 June (continued)

(\$ million)

	Notes	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Net increase/(decrease) in cash and cash equivalents		197.6	318.7	365.2	387.5
Cash and cash equivalents at beginning of reporting period		4 912.6	5 110.2	5 428.9	5 794.1
Cash and cash equivalents at end of reporting period		5 110.2	5 428.9	5 794.1	6 181.6
FISCAL AGGREGATES					
Net cash flows from operating activities		3 754.9	3 856.5	4 570.4	4 633.8
Net cash flows from investments in non-financial assets		(4 229.7)	(5 612.7)	(5 173.2)	(4 900.3)
Cash surplus/(deficit)		(474.9)	(1 756.2)	(602.8)	(266.5)

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) Inclusive of goods and services tax.

Table 1.4: Estimated general government sector statement of changes in equity for the financial year ending 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
2015-16		
Balance at 1 July 2015	39 828.6	50.0
Net result for the year	6 366.3	..
Other comprehensive income for the year	957.2	..
Balance as at 30 June 2016	47 152.0	50.0
2016-17		
Balance at 1 July 2016	47 152.0	50.0
Net result for the year	1 140.8	..
Other comprehensive income for the year	981.6	..
Balance as at 30 June 2017	49 274.5	50.0
2017-18		
Balance at 1 July 2017	49 274.5	50.0
Net result for the year	1 110.1	..
Other comprehensive income for the year	1 017.5	..
Balance as at 30 June 2018	51 402.0	50.0
2018-19		
Balance at 1 July 2018	51 402.0	50.0
Net result for the year	1 553.4	..
Other comprehensive income for the year	1 071.9	..
Balance as at 30 June 2019	54 027.3	50.0

The accompanying notes form part of these Estimated Financial statements.

<i>Property, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
46 843.4	44 625.4	641.3	131 988.7
..	..	..	6 366.3
755.8	1.5	12.2	1 726.7
47 599.2	44 626.9	653.5	140 081.7
47 599.2	44 626.9	653.5	140 081.7
..	..	..	1 140.8
513.0	(378.0)	15.8	1 132.4
48 112.3	44 248.9	669.3	142 354.8
48 112.3	44 248.9	669.3	142 354.8
..	..	..	1 110.1
9 501.1	(222.8)	16.3	10 312.2
57 613.4	44 026.1	685.6	153 777.1
57 613.4	44 026.1	685.6	153 777.1
..	1 553.4
421.8	(255.4)	16.4	1 254.7
58 035.2	43 770.7	702.0	156 585.1

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Note 1: Statement of significant accounting policies and forecast assumptions

This note summarises the basis applied in preparing and presenting these Estimated Financial Statements, which includes the budget year and the estimates for the three subsequent years (referred to as the budget and forward estimates period).

The detailed accounting policies applied in preparing the Estimated Financial Statements are consistent with those in the audited 2013-14 annual financial report published in the *2013-14 Financial Report* for the State of Victoria as presented to Parliament, unless otherwise stated.

To gain a better understanding of the terminology and key aggregates used in these statements, a glossary of terms can be found in Note 40 of Chapter 4 *Annual Financial Report* of the *2013-14 Financial Report* for the State of Victoria.

(A) Statement of compliance

These Estimated Financial Statements have been prepared in accordance with sections 23H-23K of the *Financial Management Act 1994*, having regard to Australian Accounting Standards (AASs). AASs include Interpretations issued by the Australian Accounting Standards Board (AASB).

The Estimated Financial Statements are presented in a manner consistent with the principles of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and other relevant AASs. However, the prospective nature of these Estimated Financial Statements means that some AAS disclosures are neither relevant nor practical and have been omitted. Where appropriate, those AAS paragraphs relevant to not-for-profit entities have been applied. Because AASs do not prescribe requirements for preparing and presenting prospective financial statements, the Estimated Financial Statements have been prepared having regard to the principles set out in New Zealand Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements*.

The Government Finance Statistics (GFS) information included in this report is based on the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* Cat. No. 5514.0 and the *Amendments to Australian System of Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0) (the GFS Manual).

The information presented in the Estimated Financial Statements takes into account all policy decisions taken by the Victorian Government, as well as known Commonwealth Government funding revisions and circumstances that may have a material effect on the Estimated Financial Statements as at 27 April 2015.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

(B) Basis of accounting, preparation and measurement

The Estimated Financial Statements have been prepared for the 2015-16 budget year in accordance with accounting policies expected to be used in preparing historically oriented general purpose financial statements for that year, and the same accounting policies have been used for the subsequent forecast years.

The accrual basis of accounting has been applied in preparing the Estimated Financial Statements whereby assets, liabilities, equity, revenue and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The Estimated Financial Statements are presented in Australian dollars which is also the functional currency of the Victorian general government sector.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Given the prospective nature of the EFS, actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

The Estimated Financial Statements have been prepared in accordance with the historical cost convention. Historical cost is based on the fair value of the considerations given in exchange for assets. Exceptions to the historical cost convention include:

- general government sector investments in other sector entities that are measured at net asset value;
- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation, subsequent impairment losses and obsolescence. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- productive trees in commercial native forests, which are recognised at their fair value less costs to sell;
- derivative financial instruments, managed investment schemes, certain debt securities and investment properties after initial recognition, which are measured at fair value with changes reflected in the estimated comprehensive operating statement (fair value through profit and loss);
- certain liabilities, most notably unfunded superannuation and some insurance claim provisions, which are subject to an actuarial assessment; and
- available-for-sale investments, which are measured at fair value with movements reflected in 'Other economic flows – other comprehensive income'.

For assets and liabilities measured at fair value in the estimated balance sheet, the principles under AASB 13 *Fair Value Measurement* have been applied.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

As required by AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049), the estimated comprehensive operating statement distinguishes between 'Transactions' and 'Other economic flows' based on the principles in the GFS Manual. 'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and the taxpayer. Transactions may be cash or settled in kind (e.g. assets provided/given free of charge or for nominal consideration).

'Other economic flows' are changes arising from market remeasurements. They include:

- gains and losses from disposals;
- revaluations and impairments of non-financial physical and intangible assets;
- remeasurement arising from defined benefit superannuation plans;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

(C) Reporting entity

The Estimated Financial Statements are prepared for the Victorian general government sector which includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of delivery. The primary function of entities in the Victorian general government sector is to provide public services (outputs), which are mainly non-market in nature, for the collective consumption of the community, and involve transferring or redistributing revenue that is financed mainly through taxes and other compulsory levies.

The Victorian general government sector is not a separate entity but represents a sector within the State of Victoria whole of government reporting entity. Unless otherwise noted, accounting policies applied by the State apply equally to the Victorian general government sector.

(D) Basis of consolidation

The Estimated Financial Statements present the estimated consolidated assets and liabilities of all reporting entities in the Victorian general government sector, and their revenue, gains and expenses for the respective period, consistent with the principles of AASB 1049 and AASB 10 *Consolidated Financial Statements*.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

Entities in the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors are not consolidated into the financial statements of the Victorian general government sector, but are accounted for as equity investments measured at the Government's proportional share of the carrying amount of net assets of PNFC and PFC sector entities before consolidation eliminations. Where the carrying amount of an entity's net assets before consolidation eliminations is less than zero, the amount is not included at the general government sector.

Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value and accounted for in a manner consistent with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 1049.

Where control of an entity is expected to be obtained during the financial period, its results are included in the estimated comprehensive operating statement from the date on which control will commence. Where control is expected to cease during a financial period, the entity's results are included for that part of the period for which control would exist. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in the Estimated Financial Statements.

In the process of reporting the Victorian general government sector, all material transactions and balances between entities within the sector are eliminated.

The significant entities consolidated within the sector comprise those general government sector entities listed in Note 42 of Chapter 4 *Annual Financial Report* of the *2013-14 Financial Report* for the State of Victoria, except as stated in Note 27 of the Estimated Financial Statements.

(E) Change in accounting policy

Superannuation

Revised AASB 119 *Employee Benefits* was applied for the first time in the 2013-14 financial year. This revised standard requires an entity to make a reliable estimate of the ultimate cost to the entity of the defined benefit schemes in estimating the net defined benefit superannuation liability.

The State previously used a net tax approach in estimating the net defined benefit superannuation liability with the expected tax payable on contributions being offset by the tax credits expected to be generated from superannuation plan assets. This approach was adopted due to the fact that the investment income on these assets is largely tax exempt and franking credits received on the investment income are expected to be available to offset the taxes payable on contributions, which in turn reduces the ultimate cost of funding the State's defined benefit superannuation liability.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

However, under the revised Standard, the State noted that there were differing views regarding the treatment of expected franking credits from superannuation plan assets. Following a review of broader industry practice, including that of other jurisdictions, the State has changed its accounting policy such that the calculation of the tax liability no longer allows for the fact that taxes payable will ultimately be offset by franking credits.

This has resulted in an increase in the net defined superannuation liability of approximately \$570 million over the budget and forward estimates.

The change will not have a significant impact on the net result from transactions, as the increase in net superannuation interest expense will be partially offset by an expected decrease in the associated superannuation service cost. Future franking credits and other tax offsets will be incorporated as part of the return on assets each year and recognised accordingly as they arise.

This change in policy will provide more relevant information to users of the Estimated Financial Statements as it will better facilitate inter-jurisdictional comparisons.

Valuation of school building assets

The State has made a change in its accounting policy during the 2014-15 financial year for the valuation of school building assets and has adopted the same accounting policy in the preparation of the 2015-16 Estimated Financial Statements.

In particular, the State has previously adjusted for economic obsolescence in the valuation of its school building assets where floor space was assessed to be permanently in excess of teaching requirements by reference to long-term enrolment data. Noting the lack of specific and definitive guidance in the application of the concept of economic obsolescence required by the relevant Australian Accounting Standard AASB 13, the State no longer includes an adjustment for economic obsolescence in measuring the fair value of its school assets that are still in use in providing core services or ancillary community use. This records school building assets at current replacement cost.

The impact of the change in accounting policy will be to increase the estimated depreciation expense by approximately \$40 million each year over the budget and forward estimates for the general government sector as a result of the \$1.6 billion increase to the estimated valuation of school building assets.

(F) Rounding

All amounts in the Estimated Financial Statements have been rounded to the nearest \$100 000 unless otherwise stated. Figures in the Estimated Financial Statements may not add due to rounding.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

(G) Key financial measure

The Government expects to achieve a net operating surplus (net result from transactions) consistent with maintaining general government net debt at a sustainable level over the medium term, as set out in Budget Paper No. 2, Chapter 1 *Economic and Fiscal Overview*.

For the 2015-16 Budget, the Government has set its sustainability objective as: net operating surpluses in each year over the budget and forward estimates period; and net debt as a percentage of GSP reducing from the commencement of the budget year to the end of the forward estimates period.

(H) Material economic and other assumptions

The Estimated Financial Statements have been prepared using the material economic and other assumptions listed below.

Key economic assumptions^(a)

	2014-15 <i>forecast</i>	2015-16 <i>forecast</i>	2016-17 <i>forecast</i>	2017-18 <i>projection</i>	2018-19 <i>projection</i>
			(\$ billion)		
Nominal gross state product	363.7	383.6	404.9	426.3	448.9
			(percentage change) ^(b)		
Real gross state product	2.25	2.50	2.75	2.75	2.75
Employment	2.00	1.50	1.50	1.50	1.50
Unemployment rate	6.50	6.25	6.25	6.00	5.75
Consumer price index ^(c)	1.50	2.75	2.75	2.50	2.50
Wage price index ^(d)	2.75	3.25	3.50	3.50	3.50
Population	1.8	1.8	1.8	1.8	1.8

Source: Department of Treasury and Finance

Notes:

- (a) Projections for 2017-18 and 2018-19 represent trend rates, except for the unemployment rate which shows a path towards trend. The key assumptions underlying the economic forecasts include: interest rates that follow movements in market expectations in the short term, and stabilise thereafter; a trade-weighted index of 64.5; and oil prices that follow the path suggested by oil futures.
- (b) Per cent change in year-average compared with previous year, except for the unemployment rate which is year-average per cent and population which is per cent change over the year to 30 June. Forecasts are rounded to the nearest 0.25 percentage points, except for population which is rounded to the nearest 0.1 percentage point.
- (c) Melbourne consumer price index.
- (d) Total hourly rate excluding bonuses.

Summary of other key assumptions

The following section outlines the other key assumptions used in preparing the Estimated Financial Statements, having regard to the materiality of the relevant items in the context of the overall financial position of the State and the sensitivity of those items to changes in key economic assumptions.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

Taxation revenue

The State's taxation revenue is forecast by a process that involves:

- assessing economic and other factors influencing the tax base (e.g. for payroll tax, an assessment of the outlook for employment and wages; for motor vehicle taxes, an assessment of the outlook for demand for vehicles; and for gambling taxes, an assessment of the outlook for consumer spending and the labour market);
- analysing historical information and relationships using econometric and other statistical methods; and
- consulting with private sector economists, industry associations and relevant government authorities.

Sales of goods and services

Revenue from the sale of goods and the supply of services is forecast by taking into account known factors, such as proposed fee increases imposed by departments and budget sector agencies in line with the *Cost Recovery Guidelines* (issued by the Department of Treasury and Finance) and/or indexation as provided for under the *Monetary Units Act 2004*.

Grant revenue

The forecast receipt of financial assistance from the Commonwealth is determined on the latest available information at the time of preparing the Estimated Financial Statements.

Forecasts of goods and services tax (GST) grants are based on Victoria's assessment of the latest Commonwealth forecasts of the national GST pool. Victoria's share of GST for 2015-16 is informed by Victoria's assessed relativity for that year published by the Commonwealth Grants Commission and the Commonwealth Government's population projections.

Beyond 2015-16, Victoria's share of GST is based on its estimated assessed relativity in a particular year (calculated as the average of the previous three annual per capita relativities) and its assessment of the Commonwealth Government's population projections. Victoria's forecast per capita relativities are based on the projected fiscal capacity of each state and territory estimated using information sourced from each jurisdiction's latest published budget information (revenue, expenses, capital and lending requirements and non-GST Commonwealth payments).

Funding from the Commonwealth Government to the State in relation to East West Link, both received (recognised as revenue in the *2013-14 Financial Report* for the State of Victoria) and previously committed (recognised as revenue in the current budget and forward estimates), has been retained in the Estimated Financial Statements without recognition of a liability, pending finalisation of discussions with the Commonwealth on the allocation of the funding to other infrastructure projects.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

Employee expenses

Employee expenses are forecast on the basis of staffing profiles and current salaries, conditions and on-costs. For the forecast period, employee expenses are adjusted for approved wage agreements, with allowance made for further adjustments and expected wages growth. Employee expenses forecasts also reflect the estimated impact of savings and new initiatives.

Depreciation

Depreciation is forecast on the basis of known asset profiles, asset sales programs and approved new asset investment programs. The expense is based on the assumption that there will be no change in depreciation rates over the forecast period, but includes the estimated impact of future revaluation of assets. However, any future changes in useful lives, carrying value, residual value or methodology would result in a change in future depreciation expense.

Interest expense

Estimates for interest expense are based on the forecast level of outstanding Victorian general government sector debt and expected changes in non-current financial liabilities and provisions. Victorian general government sector debt is expected to mainly comprise fixed rate facilities from the Treasury Corporation of Victoria. Interest expenses associated with assumed future borrowings are based on information provided by the Treasury Corporation of Victoria on forward contracts for Victorian government bonds.

Grant expenses

Grants and other transfer payments are forecast on the basis of known activity and adjusted by the appropriate economic parameters. Where payments are tied to third party revenue, such as Commonwealth grants for on-passing, forecasts are based on estimated receipts.

Other operating expenses

Other operating expenses mainly include the cost of supplies and services. Supplies and services expenses are forecast on the basis of experience and known activity changes, including consideration of government policy such as efficiency measures, changes in the method of service delivery and appropriate economic parameters.

An allowance is made for emerging demand that may arise over the budget and forward estimates period.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

Investments in other sector entities

Investments in other sector entities are estimated based on their audited net assets as at 30 June 2014, adjusted by management estimates of subsequent operating results, capital investments and distributions.

The Government has announced its intention to enter into a medium-term lease over the operations of the Port of Melbourne. As commercial negotiations are continuing, the accounting treatment adopted for the Estimated Financial Statements in 2015-16 recognises a realisation of the State's investment in the Port of Melbourne Corporation, which is reflected in reduced 2015-16 State borrowings. This expected transaction has been reflected in the Estimated Financial Statements as per the accounting policy outlined in Note 1(D), and in a manner consistent with the requirements of AASB 139 and AASB 1049.

Land, buildings, infrastructure, plant and equipment

The value of non-financial physical assets will change during the forecast period to account for acquisitions, disposals and the impact of depreciation and revaluation, including any adjustments for obsolescence.

If an asset is still in use in providing core services or ancillary community use, no adjustment is made for economic obsolescence. Where an asset has been identified as surplus to the needs of the entity and is not in use, the asset is valued at disposal value. New investments in assets are valued at the forecast purchase price or, where appropriate, recognised progressively over the estimated construction period.

The budget and forward estimates include the estimated impact of revaluations of non-financial physical assets. They have been estimated from examining and extrapolating historical trends in asset revaluations by major asset class.

Payables

Payables consist of accounts payable, accrued taxes such as GST and fringe benefit tax, and unearned revenue including deferred revenue from concession arrangements and licences.

Estimates of accounts payables are based on known movements in contractual arrangements, other outstanding payables and historical experience.

Unearned income relating to concession arrangements and licences will reduce each year as income is progressively brought to account over the remaining period of the concession term or licence. The estimated changes in other components are based on historical experience.

The indemnity payable to the State Electricity Commission of Victoria, which relates to the electricity supply arrangement with the aluminium smelter at Portland, is estimated based on forecast electricity prices and expected market aluminium prices over the period until expiry.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

Borrowings

Estimates for borrowings are based on the need to repay maturing debt and finance capital expenditure. The forecast for finance lease liabilities across the forward estimates period relates primarily to the expected commissioning of public private partnerships.

Employee benefits

Employee benefits are forecast on the basis of staffing profiles and current salaries and conditions. For the forecast period, employee benefits are adjusted for approved wage agreements allowing for future movements and expected wages growth.

Superannuation

Future defined contribution superannuation expenses are based on assumptions regarding future salaries and contribution rates.

Future defined benefit superannuation costs, and superannuation liabilities at future balance dates, are estimated by the actuaries of the various defined benefit superannuation plans. These estimates are based on a number of demographic and financial assumptions. The table below sets out the major financial assumptions used to estimate the superannuation expense and liability in respect of each defined benefit superannuation plan for the budget and forward estimates period.

The discount and inflation rates are based on prevailing long-term Commonwealth Government bonds (both nominal and inflation linked) and are assumed to remain constant across the budget and forward estimates period. An expected return on plan assets is assumed when projecting assets, and the return this provides in excess of the discount rate is included in other economic flows – other comprehensive income. Actual experience may differ from assumptions and may cause significant variations in the reported superannuation liabilities.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

Superannuation assumptions

<i>Underlying assumptions for all listed schemes^(a)</i>	<i>Per cent</i>
Discount rate ^(b)	2.7
Wages growth ^(c)	3.7
Inflation rate ^(d)	2.2
<i>Expected return on assets^(e)</i>	
Emergency Services and State Super	8.0
Health Super Fund Defined Benefit Scheme	5.8
Constitutionally protected schemes ^(f)	n.a.

Source: Department of Treasury and Finance

Notes:

- (a) All rates are nominal annual rates and are applicable to all the listed schemes.
- (b) The discount rate is based on a long-term fixed interest Commonwealth Government bond rate. The rate stated above is an annual effective rate, gross of tax.
- (c) The wages growth assumption is derived from the yields on Commonwealth government bonds.
- (d) The inflation rate assumed by the actuary reflects market expectations of price inflation, implied from the relationship between the yields on nominal and inflation linked Commonwealth Government bonds. This ensures consistency with the prescribed (i.e. market-based) discount rate.
- (e) The expected return on assets stated is gross of tax. Estimated tax payments are explicitly allowed for in the calculation process.
- (f) Pensions payable from constitutionally protected schemes are paid from the Consolidated Fund. These schemes hold no assets so there is no expected return on assets.

Service concession arrangements (otherwise referred to as public private partnerships)

The State from time to time enters into concession arrangements with the private sector to design, construct or upgrade assets used to provide public services. These arrangements may include operational and maintenance services for a specified period of time.

Projects specifically approved to be delivered as public private partnerships are budgeted for consistent with the expected delivery model from the date of approval, and in accordance with the accounting policies applicable to service concession arrangements outlined in the *2013-14 Financial Report* for the State of Victoria.

Some service concession arrangements, such as user pays toll roads, also include the right for the State to take control of the asset at the end of the concession period. As there is currently no authoritative accounting guidance to forecast the recognition and measurement of these assets, they are not recognised in the Estimated Financial Statements. There are no such concessions ending within the period of the Estimated Financial Statements.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

(I) Sensitivity analysis

Appendix A *Sensitivity analysis* contained in Budget Paper No. 2 provides an estimate of the impact on revenue, expenses, the net result from transactions, the net result, and net debt associated with variations to forecasts of selected economic and financial variables.

(J) Prospective accounting changes

Certain new and revised accounting standards have been issued but are not effective for the 2015-16 reporting period. They include:

- AASB 15 *Revenue from Contracts with Customers*, operative for reporting periods commencing 1 January 2017. The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The State is reviewing its existing revenue recognition policy to assess the potential implications arising from AASB 15.
- AASB 9 *Financial Instruments*, operative for reporting periods beginning from 1 January 2018 as revised by AASB 2014-1 *Amendments to Australian Accounting Standards (Part E Financial Instruments)*. The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. The State is reviewing its existing policies to make changes as required.

There is no intention to early adopt the above accounting standards.

Several other amending standards and AASB interpretations have been issued that are applicable for future reporting periods, but are considered to have limited impact on public sector reporting.

(K) Recent machinery of government changes

On 4 December 2014, the Premier announced new administrative arrangements for government entities effective 1 January 2015. Information disclosed in the notes to the estimated financial statements in the *2015-16 Budget* reflects these new administrative structures. These changes have no impact on the General Government Sector aggregates.

Note 2: Taxation revenue

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Taxes on employers' payroll and labour force	5 407.5	5 758.0	6 085.9	6 426.7
Taxes on property				
Taxes on immovable property				
Land tax	1 769.7	2 006.4	1 958.4	2 219.6
Fire Services Property Levy	627.9	631.8	644.7	662.3
Congestion levy	120.2	123.4	126.5	129.8
Metropolitan improvement levy	150.8	157.4	158.0	158.0
Total taxes on immovable property	2 668.7	2 918.9	2 887.6	3 169.7
Financial and capital transactions				
Land transfer duty	5 028.1	5 128.8	5 194.4	5 259.6
Other property duties	1.9	2.0	2.2	2.3
Metropolitan Planning Levy	17.1	17.1	17.1	17.1
Financial accommodation levy	151.4	156.5	171.8	191.1
Growth areas infrastructure contributions	108.3	114.2	120.5	127.2
Total financial and capital transactions	5 306.7	5 418.7	5 506.0	5 597.3
Total taxes on property	7 975.4	8 337.7	8 393.6	8 767.0
Taxes on the provision of goods and services				
Gambling taxes				
Public lotteries	420.7	438.3	457.5	478.1
Electronic gaming machines	1 087.7	1 112.1	1 139.8	1 144.4
Casino	240.3	246.5	254.5	262.9
Racing	82.8	82.0	82.6	81.8
Other	29.9	38.1	48.6	61.8
Total gambling taxes	1 861.3	1 917.0	1 983.0	2 029.1
Levies on statutory corporations	112.0	..	..	..
Taxes on insurance	1 156.2	1 234.6	1 318.1	1 408.9
Total taxes on the provision of goods and services	3 129.5	3 151.5	3 301.1	3 438.1
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	1 458.9	1 558.2	1 616.4	1 677.8
Duty on vehicle registrations and transfers	743.3	765.7	788.8	812.4
Total motor vehicle taxes	2 202.2	2 324.0	2 405.2	2 490.3
Liquor licence fees	21.9	22.6	23.2	23.9
Other	288.0	210.8	193.8	193.8
Total taxes on the use of goods and performance of activities	2 512.1	2 557.3	2 622.2	2 707.9
Total taxation revenue	19 024.5	19 804.5	20 402.8	21 339.6

Note 3: Dividends and income tax equivalent and rate equivalent revenue

(a) Dividends and income tax equivalent and rate equivalent revenue

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Dividends from PFC sector	619.5	522.2	530.7	343.9
Dividends from PNFC sector	215.6	195.6	182.7	216.6
Dividends from non-public sector	14.5	15.5	16.7	17.0
Dividends	849.6	733.3	730.0	577.5
Income tax equivalent revenue from PFC sector	124.2	124.2	110.1	276.5
Income tax equivalent revenue from PNFC sector	162.9	127.7	166.8	187.3
Income tax equivalent revenue	287.1	251.9	276.9	463.8
Local government rate equivalent revenue	7.5	3.7	4.9	11.0
Total dividends and income tax equivalent and rate equivalent revenue	1 144.3	988.8	1 011.8	1 052.4

(b) Dividends by entity

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Public financial corporations				
WorkSafe Victoria ^(a)	..	..	..	..
Victorian Managed Insurance Authority	145.0	145.0	87.0	43.0
Transport Accident Commission	433.6	341.9	405.0	257.8
Treasury Corporation of Victoria	38.2	32.0	35.4	40.0
State Trustees Ltd	1.0	1.5	1.6	1.4
Victorian Funds Management Corporation	1.8	1.8	1.8	1.8
Dividends from PFC sector	619.5	522.2	530.7	343.9
Public non-financial corporations				
Melbourne Water Corporation	17.1	38.3	43.9	48.9
City West Water Corporation	14.1	16.4	19.4	22.1
South East Water Corporation	32.5	30.5	36.6	44.0
Yarra Valley Water Corporation	15.1	4.9	6.5	9.0
State Electricity Commission of Victoria (Shell)	100.0	100.0	70.0	80.0
Victorian Regional Channels Authority	1.3	1.5	1.4	1.4
Port of Melbourne Corporation	27.6	..	..	..
Others	8.0	4.0	4.8	11.2
Dividends from PNFC sector	215.6	195.6	182.7	216.6

Note:

(a) Consistent with the Government's pre-election commitment, there will be no dividends extracted from WorkSafe Victoria in this budget. The Government expects monies will be returned to the State in future years for a re-established and expanded WorkHealth scheme and other purposes in line with its pre-election commitment.

Note 4: Sales of goods and services

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Motor vehicle regulatory fees	228.6	204.6	180.2	191.7
Other regulatory fees	501.1	511.4	522.8	527.9
Sale of goods	68.6	67.9	68.7	69.4
Provision of services ^(a)	4 114.0	4 108.4	4 180.5	4 150.6
Rental	59.4	59.5	59.5	59.5
Refunds and reimbursements	55.5	55.5	55.5	55.5
Inter-sector capital asset charge	1 751.8	1 901.6	1 949.2	1 971.2
Total sales of goods and services	6 779.1	6 908.9	7 016.3	7 025.7

Note:

(a) Further disclosure on provision of services by department is available on the Department of Treasury and Finance's website. This further disclosure is not subject to review by the Victorian Auditor-General's Office.

Note 5: Grant revenue

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
General purpose grants – goods and services tax	12 769.9	13 351.5	14 401.3	15 842.5
Specific purpose grants for on-passing	3 388.7	3 601.4	3 798.5	3 966.8
Grants for specific purposes	9 269.5	8 980.6	9 159.5	8 649.2
Total	25 428.1	25 933.5	27 359.2	28 458.5
Other contributions and grants	151.4	156.1	148.4	146.9
Total grants	25 579.5	26 089.6	27 507.6	28 605.4

Note 6: Other revenue

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Fair value of assets received free of charge or for nominal consideration	61.6	61.8	61.5	59.5
Fines	777.3	799.3	816.7	832.4
Royalties	51.2	51.1	51.1	51.1
Donations and gifts	304.2	345.9	299.5	301.7
Other non-property rental	20.3	20.4	20.4	20.4
Other miscellaneous revenue	956.0	971.0	986.2	1 024.1
Total other revenue	2 170.6	2 249.4	2 235.4	2 289.1

Note 7: Superannuation

(a) Superannuation costs recognised in the operating statement

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Defined benefit plans				
Net superannuation interest expense	886.5	859.5	831.5	798.2
Current service cost	825.9	813.3	798.1	782.9
Remeasurements:				
Expected return on superannuation assets excluding interest income	(962.4)	(995.0)	(1 027.3)	(1 062.8)
Total expense recognised in respect of defined benefit plans	749.9	677.8	602.3	518.3
Defined contribution plans				
Employer contributions to defined contribution plans	1 214.1	1 231.5	1 260.8	1 301.0
Other (including pensions)	61.6	62.3	62.9	63.5
Total expense recognised in respect of defined contribution plans	1 275.7	1 293.8	1 323.8	1 364.5
Total superannuation expense recognised in operating statement	2 025.7	1 971.6	1 926.1	1 882.8
Represented by:				
Net superannuation interest expense	886.5	859.5	831.5	798.2
Other superannuation	2 101.7	2 107.1	2 121.9	2 147.4
Superannuation expense from transactions	2 988.1	2 966.6	2 953.4	2 945.6
Remeasurements recognised in other comprehensive income	(962.4)	(995.0)	(1 027.3)	(1 062.8)
Total superannuation expense recognised in operating statement	2 025.7	1 971.6	1 926.1	1 882.8

(b) Reconciliation of the present value of the defined benefit obligation

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Opening balance of defined benefit obligation	51 030.2	50 793.6	50 434.7	49 983.7
Current service cost	825.9	813.3	798.1	782.9
Interest expense	1 429.6	1 421.3	1 409.8	1 395.4
Contributions by plan participants	188.3	183.0	177.6	172.3
Benefits paid	(2 680.4)	(2 776.5)	(2 836.6)	(2 898.8)
Closing balance of defined benefit obligation	50 793.6	50 434.7	49 983.7	49 435.4

Note 7: Superannuation (continued)

(c) Reconciliation of the fair value of superannuation plan assets

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Opening balance of plan assets	20 276.1	20 984.7	21 765.8	21 926.6
Interest income	543.2	561.7	578.3	597.2
Return on plan assets not included in interest income	962.4	995.0	1 027.3	1 062.8
Employer contributions	1 695.1	1 817.8	1 214.2	1 550.5
Contributions by plan participants	188.3	183.0	177.6	172.3
Benefits paid (including tax paid)	(2 680.4)	(2 776.5)	(2 836.6)	(2 898.8)
Closing balance of plan assets	20 984.7	21 765.8	21 926.6	22 410.6

(d) Reconciliation of the superannuation liabilities

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Emergency Services and State Super				
Defined benefit obligation	46 002.2	45 729.4	45 364.0	44 895.2
Tax liability ^(a)	2 835.8	2 747.4	2 655.7	2 569.9
Plan assets	(20 087.2)	(20 913.3)	(21 117.7)	(21 647.3)
Net liability/(asset)	28 750.8	27 563.5	26 902.0	25 817.8
Other funds^(b)				
Defined benefit obligation	1 962.2	1 963.5	1 968.6	1 974.2
Tax liability ^(a)	(6.5)	(5.5)	(4.6)	(3.9)
Plan assets	(897.6)	(852.6)	(809.0)	(763.3)
Net liability/(asset)	1 058.1	1 105.4	1 155.0	1 207.0
Total superannuation				
Defined benefit obligation	47 964.3	47 692.9	47 332.6	46 869.4
Tax liability ^(a)	2 829.3	2 741.9	2 651.1	2 566.0
Plan assets	(20 984.7)	(21 765.8)	(21 926.6)	(22 410.6)
Superannuation liability	29 808.9	28 668.9	28 057.1	27 024.8
Represented by:				
Current liability	1 333.4	736.3	1 078.4	1 105.4
Non-current liability	28 475.5	27 932.6	26 978.7	25 919.5
Total superannuation liability	29 808.9	28 668.9	28 057.1	27 024.8

Notes:

(a) Tax liability represents the present value of tax payments on contributions that are expected to be required to fund accrued benefits.

(b) Other funds include constitutionally protected schemes and the State's share of liabilities of the Defined Benefit Scheme of the Health Super Fund.

Note 8: Depreciation

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Buildings ^(a)	1 028.3	1 122.7	1 152.0	1 198.7
Leasehold buildings	98.0	107.9	139.5	156.0
Infrastructure systems	28.5	28.8	29.2	29.2
Plant, equipment and vehicles	656.9	689.0	743.2	804.5
Roads and road networks	646.0	662.1	694.3	843.8
Cultural assets	25.1	25.9	27.5	30.9
Intangible produced assets ^(b)	94.1	85.2	94.6	83.1
Total depreciation	2 576.9	2 721.6	2 880.2	3 146.1

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2015-16 to 2018-19.

(b) Amortisation of intangible non-produced assets is included under other gain/(losses) from other economic flows.

Note 9: Interest expense

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Interest on long-term interest-bearing liabilities	1 239.6	1 151.2	1 179.2	1 133.5
Interest on short-term interest-bearing liabilities	48.2	47.3	44.2	44.0
Finance charges on finance leases	770.3	863.7	902.5	903.9
Discount interest on payables	38.0	36.8	36.8	36.8
Total interest expense	2 096.1	2 099.1	2 162.8	2 118.3

Note 10: Grant expense

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Current grants and other transfers expense				
Commonwealth Government	189.7	160.0	148.1	143.8
Local government (including grants for on-passing)	858.7	772.5	763.3	784.4
Private sector and not-for-profit for on-passing	2 843.0	3 055.6	3 229.5	3 383.4
Other private sector and not-for-profit	1 872.6	2 105.2	2 274.2	2 384.7
Grants within the Victorian Government	2 843.4	2 941.8	3 007.0	3 010.8
Grants to other state governments	11.2	11.2	11.2	11.2
Total current grants and other transfers	8 618.6	9 046.4	9 433.5	9 718.4
Capital grants expense				
Commonwealth Government	..	..	..	..
Local government (including grants for on-passing)	15.2	43.3	50.5	53.2
Private sector and not-for-profit on-passing	44.6	49.9	54.2	68.7
Other private sector and not-for-profit	3.6	4.1	4.1	4.1
Grants within the Victorian Government	..	..	..	..
Other grants	5.0	5.0	5.0	5.0
Total capital grants and other transfers	68.3	102.2	113.8	131.0
Total grants and other transfers	8 686.9	9 148.6	9 547.3	9 849.3

Note 11: Other operating expenses

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Purchase of supplies and consumables ^(a)	7 519.7	7 908.2	8 333.0	8 612.6
Cost of goods sold	16.6	17.0	17.4	17.8
Finance expenses and fees	21.3	21.2	21.4	21.5
Purchase of services ^(a)	8 840.9	8 375.8	8 548.6	8 537.7
Maintenance	673.8	655.9	665.2	677.6
Operating lease payments	289.9	288.9	292.6	292.8
Other	696.1	726.2	757.6	785.3
Total other operating expenses	18 058.3	17 993.3	18 635.8	18 945.4

Note:

(a) Further disclosure on other operating expenses by department is available on the Department of Treasury and Finance's website. This further disclosure is not subject to review by the Victorian Auditor-General's Office.

Note 12: Expenses by government purpose and by department

(a) Expenses by government purpose classification^(a)

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Expenses				
General public services	1 150.0	1 349.0	1 900.4	2 383.5
Public order and safety	6 128.3	6 160.2	6 404.3	6 593.4
Education	14 041.7	14 541.6	15 083.0	15 297.4
Health	15 264.5	15 738.0	16 261.8	16 767.4
Social security and welfare ^(b)	4 345.2	3 988.0	4 340.5	4 745.7
Housing and community amenities ^(c)	3 169.7	2 922.5	2 837.3	2 741.0
Recreation and culture	647.4	638.0	618.7	618.2
Fuel and energy	184.6	189.3	192.7	123.3
Agriculture, forestry, fishing and hunting	375.9	345.8	344.0	340.6
Transport and communications	6 312.8	6 473.3	6 483.9	6 610.5
Other economic affairs	819.6	739.0	732.4	650.0
Other purposes ^(d)	1 870.3	2 412.7	2 472.0	2 479.5
Total expenses by government purpose classification	54 309.8	55 497.4	57 671.0	59 350.7

Notes:

- (a) Note 41 of the 2013-14 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.
- (b) From July 2016, the Commonwealth will be responsible for home support services for people aged over 65 years. Health expenditure is adjusted from 2016-17 to reflect this transfer. The State's contribution to the National Disability Insurance Scheme commences from 2016-17 and increases thereafter as more clients transition into the scheme.
- (c) The downward movement from 2015-16 relates to sun setting initiatives and movements in funding across years for various initiatives.
- (d) Other purposes include provision available to be allocated to specific departments and projects, future demand growth, departmental underspending and items not yet formalised at the time of publication.

Note 12: Expenses by government purpose and by department (continued)

(b) Total expenses by department

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Expenses from transactions				
Economic Development, Jobs, Transport and Resources	8 088.0	8 136.4	8 181.0	8 168.4
Education and Training	15 549.7	15 757.4	16 176.6	16 334.5
Environment, Land, Water and Planning ^(a)	2 946.5	2 632.6	2 523.0	2 406.1
Health and Human Services ^(b)	21 362.5	21 290.6	21 642.4	21 930.3
Justice and Regulation	5 595.7	5 641.4	5 854.1	6 010.0
Premier and Cabinet	433.3	405.3	366.2	368.6
Treasury and Finance	6 653.5	6 647.5	6 677.2	6 728.6
Parliament	186.7	183.4	185.0	185.1
Courts	527.7	537.3	545.4	570.6
Regulatory bodies and other part funded agencies ^(c)	1 928.0	1 908.9	1 938.7	1 976.3
Contingencies not allocated to departments ^(d)	517.6	1 636.3	2 923.6	4 193.5
Total expenses by department	63 789.2	64 777.1	67 013.3	68 872.1
<i>Less eliminations and adjustments^(e)</i>	<i>(9 479.3)</i>	<i>(9 279.8)</i>	<i>(9 342.3)</i>	<i>(9 521.4)</i>
Total expenses from transactions	54 309.8	55 497.4	57 671.0	59 350.7

Notes:

- (a) The downward movement from 2015-16 relates to sun setting initiatives and movements in funding across years for various initiatives.
- (b) From July 2016, the Commonwealth will be responsible for home support services for people aged over 65 years. Health expenditure is adjusted from 2016-17 to reflect this transfer.
- (c) Other general government sector agencies not allocated to departmental portfolios.
- (d) Note 12(c) provides a breakdown of the general government output contingencies not allocated to departments.
- (e) Mainly comprising payroll tax, capital asset charge, departmental underspend estimates and inter-departmental transfers.

(c) General government output contingencies not allocated to departments

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Decisions made but not yet allocated ^(a)	417.6	1 336.3	2 423.6	3 493.5
Funding not allocated to specific purposes ^(b)	100.0	300.0	500.0	700.0
Total general government output contingencies	517.6	1 636.3	2 923.6	4 193.5

Notes:

- (a) Reflects existing government policy decisions for which funding has yet to be allocated to departments; provision for election commitments to be funded in future budgets; provisions not yet allocated to meet additional price and demand growth for health, disability and education; and a provision for estimated additional depreciation costs associated with the general government unallocated capital contingency.
- (b) An unallocated provision available to contribute to future government policy decisions and commitments, including for decisions to extend lapsing programs across the budget and forward estimates.

Note 13: Other gains/(losses) from other economic flows

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Net (increase) in provision for doubtful receivables	(181.0)	(176.9)	(185.4)	(195.9)
Amortisation of intangible non-produced assets	(0.1)	(0.1)	(0.1)	(0.1)
Net (increase) in bad debts	(153.5)	(153.7)	(153.9)	(153.9)
Other gains/(losses)	16.2	(0.8)	(0.8)	(0.7)
Total other gains/(losses) from other economic flows	(318.4)	(331.5)	(340.2)	(350.7)

Note 14: Reconciliation of net gain/(loss) on equity investments in other sector entities at proportional share of net assets

(\$ million)

	2016 budget	2017 estimate	2018 estimate	2019 estimate
Balance of investment in PNFC and PFC sectors at beginning of period	80 446.8	80 697.3	82 335.7	82 994.0
Net contributions to other sectors by owner	249.1	2 016.4	881.1	2 167.3
Revaluation gain/(loss) for period	1.5	(378.0)	(222.8)	(255.4)
Investment in other sector entities at end of period	80 697.3	82 335.7	82 994.0	84 905.9

Note 15: Net acquisition of non-financial assets from transactions

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Purchases of non-financial assets (including change in inventories)	4 551.7	6 166.9	5 663.1	5 194.3
Less: sale of non-financial assets	(322.0)	(554.1)	(489.9)	(294.0)
Less: depreciation	(2 576.9)	(2 721.6)	(2 880.2)	(3 146.1)
Plus: other movements in non-financial assets ^(a)	(242.6)	(1 381.0)	(1 250.6)	(1 983.0)
Total net acquisition of non-financial assets from transactions	1 410.3	1 510.1	1 042.5	(228.8)

Note:

(a) The other movements in non-financial assets predominantly includes the transfer of fixed assets to other sectors of government and the recognition of finance lease arrangements.

Note 16: Advances paid and investments, loans and placements

(\$ million)

	2015 <i>revised</i>	2016 <i>budget</i>	2017 <i>estimate</i>	2018 <i>estimate</i>	2019 <i>estimate</i>
Current advances paid and investments, loans and placements					
Loans and advances paid	55.4	40.8	48.0	53.3	56.2
Equities and managed investment schemes	792.2	804.3	816.3	828.3	840.2
Australian dollar term deposits	1 676.3	1 761.2	1 867.3	1 981.8	2 096.2
Debt securities	6.3	6.3	6.3	6.3	6.3
Total current advances paid and investments, loans and placements	2 530.2	2 612.6	2 738.0	2 869.7	2 999.0
Non-current advances paid and investments, loans and placements					
Loans and advances paid	4 512.5	4 479.8	4 436.3	4 385.2	4 330.8
Equities and managed investment schemes	263.6	268.1	273.1	276.2	281.0
Australian dollar term deposits	256.3	261.8	267.5	273.3	279.3
Debt securities	44.7	44.7	44.7	44.7	44.7
Total non-current advances paid and investments, loans and placements	5 077.0	5 054.4	5 021.6	4 979.4	4 935.8
Total advances paid and investments, loans and placements	7 607.2	7 667.0	7 759.6	7 849.1	7 934.8
Represented by:					
Advances paid	4 567.9	4 520.6	4 484.3	4 438.5	4 387.0
Investments, loans and placements	3 039.3	3 146.4	3 275.3	3 410.6	3 547.8

Note 17: Land, buildings, infrastructure, plant and equipment

(\$ million)

	2015 <i>revised</i>	2016 <i>budget</i>	2017 <i>estimate</i>	2018 <i>estimate</i>	2019 <i>estimate</i>
Buildings (written down value)	25 792.8	26 042.2	26 413.9	29 134.0	29 453.8
Buildings leasehold	2 360.8	3 347.2	4 211.2	5 093.7	5 006.7
Land and national parks	39 217.7	39 590.7	39 338.0	42 156.0	42 143.5
Infrastructure systems (written down value)	1 253.9	1 269.0	1 297.6	1 287.2	1 268.4
Plant, equipment and vehicles (written down value)	2 414.7	2 331.5	2 058.7	1 664.2	1 201.2
Roads and road networks (written down value)	24 310.3	24 766.1	25 596.5	28 911.0	29 330.8
Earthworks	8 803.4	8 944.6	9 116.9	10 446.6	10 552.9
Cultural assets (written down value)	5 480.0	5 489.4	5 846.0	5 830.3	5 811.1
Total land, buildings, infrastructure, plant and equipment	109 633.6	111 780.6	113 878.7	124 523.0	124 768.3

Note 18: Reconciliation of movements in land, buildings, infrastructure, plant and equipment^(a)

(\$ million)

	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Carrying amount at the start of the year	109 633.6	111 780.6	113 878.7	124 523.0
Additions ^(b)	5 469.1	6 545.4	6 337.8	5 253.8
Disposals at written down value	(263.4)	(493.6)	(420.5)	(233.5)
Revaluations	748.1	513.0	9 501.1	421.8
Asset transfers ^(c)	(1 324.1)	(1 830.3)	(1 988.6)	(2 133.9)
Depreciation expense	(2 482.8)	(2 636.4)	(2 785.5)	(3 063.0)
Carrying amount at the end of the year	111 780.6	113 878.7	124 523.0	124 768.3

Notes:

(a) The reconciliation of movements comprises land and buildings, infrastructure systems, plant, equipment, vehicles, roads, road infrastructure and cultural assets and excludes intangible assets, investment properties and other non-financial assets.

(b) Includes assets acquired under finance lease arrangements.

(c) Represents the transfer of assets to the public non-financial corporations sector.

Note 19: Other non-financial assets

(\$ million)

	2015 <i>revised</i>	2016 <i>budget</i>	2017 <i>estimate</i>	2018 <i>estimate</i>	2019 <i>estimate</i>
Intangible produced assets	1 396.3	1 446.7	1 489.9	1 510.7	1 560.1
<i>Accumulated depreciation</i>	<i>(673.4)</i>	<i>(768.8)</i>	<i>(862.0)</i>	<i>(964.1)</i>	<i>(1 057.9)</i>
Intangible non-produced assets	9.2	9.2	9.2	9.2	9.2
<i>Accumulated amortisation</i>	<i>(8.5)</i>	<i>(8.6)</i>	<i>(8.7)</i>	<i>(8.8)</i>	<i>(8.9)</i>
Total intangibles	723.6	678.5	628.4	547.0	502.5
Investment properties	139.3	132.3	131.4	131.4	131.4
Biological assets	11.2	12.4	13.9	15.4	16.9
Other assets	334.4	324.2	340.1	256.7	226.4
Total other non-financial assets	1 208.5	1 147.4	1 113.8	950.6	877.3

Note 20: Assets classified by government purpose and by department

(a) Purchases of non-financial assets by government purpose classification^(a)

(\$ million)

	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
General public services	127.5	657.9	461.2	446.2
Public order and safety	799.0	379.8	540.5	192.4
Education	493.4	517.6	260.6	255.9
Health	692.4	1 042.6	406.1	275.7
Social security and welfare	114.0	79.8	68.2	67.1
Housing and community amenities	42.3	42.9	37.1	26.7
Recreation and culture	120.9	76.3	39.7	60.8
Fuel and energy	3.0	2.7	2.7	2.6
Agriculture, forestry fishing, and hunting	17.5	4.6	4.6	4.6
Transport and communications	2 365.6	2 846.5	2 694.8	2 392.3
Other economic affairs	131.2	111.9	104.3	17.3
Other purposes	1.0	0.9	0.9	0.9
Not allocated by purpose ^(b)	(356.1)	403.5	1 042.6	1 451.7
Total purchases of non-financial assets	4 551.7	6 166.9	5 663.1	5 194.3

Notes:

- (a) Note 41 of the 2013-14 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.
- (b) Estimated amount available to be allocated to departments and projects in future budgets, including for major capital investment. This includes departmental underspending, which may be subject to carryover.

Note 20: Assets classified by government purpose and by department (continued)

(b) Purchase of non-financial assets by department

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Economic Development, Jobs, Transport and Resources	2 193.7	2 078.6	1 186.4	615.1
Education and Training	487.6	512.4	255.4	250.7
Environment, Land, Water and Planning	60.8	61.3	49.7	39.7
Health and Human Services	873.4	1 112.6	387.5	234.1
Justice and Regulation	567.3	243.2	435.0	86.1
Premier and Cabinet	15.5	14.5	12.6	12.6
Treasury and Finance	37.6	55.5	39.3	56.7
Parliament	5.4	1.8	1.8	1.8
Courts	53.4	32.3	9.8	5.8
Regulatory bodies and other part funded agencies ^(a)	168.2	88.9	87.9	87.3
Contingencies not allocated to departments ^(b)	478.1	2 032.4	3 170.8	3 917.8
Adjustments ^(c)	(389.4)	(66.6)	26.9	(113.4)
Total purchases of non-financial assets	4 551.7	6 166.9	5 663.1	5 194.3

Notes:

(a) Other general government sector agencies not allocated to departmental portfolios.

(b) Note 20 (c) provides a breakdown of the general government asset contingencies not allocated to departments.

(c) Mainly comprises estimated departmental underspend which may be subject to carryover and estimated outer budget agency underspend.

(c) General government asset contingencies not allocated to departments

(\$ million)

	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Decisions made but not yet allocated ^(a)	478.1	1 532.4	2 170.8	2 467.8
Funding not allocated to specific purposes ^(b)	..	500.0	1 000.0	1 450.0
Total general government asset contingencies	478.1	2 032.4	3 170.8	3 917.8

Notes:

(a) A provision to account for asset policy decisions for which the funding has yet to be allocated to departments and provision for election commitments to be funded in future budgets.

(b) An unallocated provision available for future government asset investment decisions.

Note 20: Assets classified by government purpose and by department (continued)

(d) Total assets by government purpose classification^(a)

(\$ million)

	2015	2016	2017	2018	2019
	revised	budget	estimate	estimate	estimate
General public services	1 218.1	1 101.1	400.1	326.4	284.6
Public order and safety	8 770.3	8 888.5	8 899.3	9 542.1	9 346.0
Education	18 326.0	18 399.4	17 383.3	16 989.2	16 177.1
Health	12 818.5	13 743.3	14 140.1	13 524.2	12 754.1
Social security and welfare	1 074.4	1 134.2	1 158.1	1 170.6	1 182.0
Housing and community amenities	7 186.9	7 180.1	7 103.9	6 939.3	6 849.3
Recreation and culture	8 309.9	8 429.3	8 435.0	8 406.1	8 397.0
Fuel and energy	15.6	16.1	16.6	17.0	17.5
Agriculture, forestry, fishing and hunting	652.4	637.6	609.9	582.2	554.5
Transport and communications	52 650.9	53 035.4	53 398.9	58 917.2	58 373.7
Other economic affairs	706.5	771.0	889.9	994.2	1 002.3
Other purposes	1.7	2.3	2.4	2.4	2.5
Not allocated by purpose ^(b)	97 415.4	98 252.9	103 238.8	109 915.2	115 066.9
Total assets	209 146.3	211 591.2	215 676.4	227 326.2	230 007.5

Notes:

(a) Note 41 of the 2013-14 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

(b) Represents financial assets which are not able to be allocated by purpose. This mainly includes balances relating to the general government sector's investment in other sector entities.

Note 21: Payables

(\$ million)

	2015	2016	2017	2018	2019
	revised	budget	estimate	estimate	estimate
Current payables					
Accounts payable and accrued expenses	3 184.7	3 029.9	2 956.1	2 927.6	2 907.3
Accrued taxes payable	30.8	31.9	32.5	33.0	34.6
Unearned income	651.9	634.3	633.9	632.4	653.0
Total current payables	3 867.4	3 696.1	3 622.5	3 593.0	3 594.9
Non-current payables					
Accounts payable and accrued expenses	176.2	118.8	111.0	102.6	92.9
Unearned income	1 820.5	1 779.0	1 777.0	1 737.5	1 521.5
Total non-current payables	1 996.8	1 897.8	1 888.0	1 840.1	1 614.4
Total payables	5 864.2	5 593.9	5 510.5	5 433.1	5 209.3

Note 22: Borrowings

(\$ million)

	2015 revised	2016 budget	2017 estimate	2018 estimate	2019 estimate
Current borrowings					
Domestic borrowings	1 432.7	1 432.7	1 432.7	1 432.7	1 432.7
Finance lease liabilities ^(a)	120.3	99.5	104.3	115.7	116.9
Total current borrowings	1 553.0	1 532.2	1 537.0	1 548.4	1 549.6
Non-current borrowings					
Domestic borrowings	23 913.2	18 902.5	21 383.1	21 539.5	22 569.7
Finance lease liabilities ^(a)	7 846.5	8 793.2	9 080.4	9 558.6	9 385.0
Derivative financial instruments	20.8	20.8	20.8	20.8	20.8
Total non-current borrowings	31 780.4	27 716.5	30 484.2	31 118.8	31 975.4
Total borrowings	33 333.4	29 248.7	32 021.2	32 667.2	33 525.0

Note:

(a) Further detailed disclosures on finance lease liabilities can be found in the 2013-14 Financial Report for the State of Victoria.

Note 23: Employee benefits

(\$ million)

	2015 revised	2016 budget	2017 estimate	2018 estimate	2019 estimate
Current					
Accrued salaries and wages ^(a)	1 625.4	1 679.0	1 729.2	1 781.0	1 832.9
Long service leave	3 169.9	3 302.6	3 432.1	3 562.4	3 689.1
Total current employee benefits	4 795.3	4 981.6	5 161.3	5 343.4	5 522.0
Non-current					
Long service leave	724.5	785.3	847.6	912.2	976.7
Total non-current employee benefits	724.5	785.3	847.6	912.2	976.7
Total employee benefits	5 519.7	5 766.8	6 008.9	6 255.6	6 498.7

Note:

(a) Includes accrued annual leave and other similar on-costs.

Note 24: Reserves

(\$ million)

	2015 <i>revised</i>	2016 <i>budget</i>	2017 <i>estimate</i>	2018 <i>estimate</i>	2019 <i>estimate</i>
Land, buildings, infrastructure, plant and equipment revaluation surplus	46 843.4	47 599.2	48 112.3	57 613.4	58 035.2
Available-for-sale investments revaluation surplus	59.5	60.8	62.0	63.3	64.6
Revaluation surplus for investments in PFC and PNFC entities	44 625.4	44 626.9	44 248.9	44 026.1	43 770.7
Other reserves	581.8	592.7	607.2	622.3	637.4
Total reserves	92 110.2	92 879.6	93 030.4	102 325.0	102 507.8

Note 25: Reconciliations to Government Finance Statistics – derivation of GFS cash surplus/(deficit)

(\$ million)

	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Cash surplus/(deficit)	(474.9)	(1 756.2)	(602.8)	(266.5)
<i>Convergence differences:</i>				
Less: Acquisitions under finance leases and similar arrangements ^(a)	(1 050.4)	(416.7)	(653.8)	..
Total convergence differences	(1 050.4)	(416.7)	(653.8)	..
GFS cash surplus/(deficit)^(b)	(1 525.3)	(2 172.9)	(1 256.6)	(266.5)

Notes:

(a) *The finance lease acquisition in 2015-16 relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate relates to the new Bendigo Hospital project (Stage 1) and the New Schools PPP project (tranche 1). The 2017-18 estimate relates to the Ravenhall Prison project, the new Bendigo Hospital project (stage 2), and the New Schools PPP project (tranche 2).*

(b) *Determined in accordance with the ABS GFS manual.*

Note 26: Financial instruments

Note 33 in Chapter 4 of the *2013-14 Financial Report* for the State of Victoria contains comprehensive disclosures of the State's (including the general government sector's) financial instruments, including financial risk management objectives and policies.

There has been no substantive change to the accounting classification of financial assets and liabilities for the general government sector as reported in the *2013-14 Financial Report* for the State of Victoria.

Note 27: Controlled entities

Note 42 *Controlled entities* within the 2013-14 *Financial Report* for the State of Victoria contains a list of significant controlled entities which have been consolidated for the purposes of the financial report.

The principal activities of the controlled entities reflect the three sectors of government they are within as set out in note 1(D) Basis of Consolidation. Further, note 41 *Government Purpose Classification* in the 2013-14 *Financial Report* for the State of Victoria reflects the broad objectives of these controlled entities.

The following is a list of general government sector entities and entities included as investments by the general government sector that have changed since 1 July 2014 or are expected to change for the budget year 2015-16. Unless otherwise noted below, all such entities are wholly owned.

<i>Controlled entities</i> ^(a)	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Education and Training	*		
TAFEs including:			
Bendigo Kangan Institute ^(b)	*		
Melbourne Polytechnic ^(c)	*		
Department of Environment, Land, Water and Planning	*		
Architects Registration Board of Victoria	*		
Heritage Council	*		
Metropolitan Planning Authority	*		
Surveyors Registration Board of Victoria	*		
Victorian Building Authority	*		
Urban Renewal Authority Victoria (Places Victoria)		*	
Waste and Resource Recovery Groups including:			
Barwon South West Waste and Resource Recovery Group ^(d)		*	
Gippsland Waste and Resource Recovery Group ^(d)		*	
Goulburn Valley Waste and Resource Recovery Group ^(d)		*	
Grampians Central Waste and Resource Recovery Group ^(d)		*	
Metropolitan Waste and Resource Recovery Group ^(d)		*	
Loddon Mallee Waste and Resource Recovery Group ^(d)		*	
North East Waste and Resource Recovery Group ^(d)		*	

<i>Controlled entities^(a)</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Health and Human Services	*		
Commission for Children and Young People	*		
Hospitals, Health and Ambulance Services including:			
Bass Coast Health ^(e)	*		
The Queen Elizabeth Centre	*		
Tweddle Child and Family Health Service	*		
Victorian Institute of Sport Limited	*		
Victorian Institute of Sport Trust	*		
Director of Housing (PNFC)		*	
State Sport Centres Trust		*	
Department of Justice and Regulation^(f)	*		
Department of Premier and Cabinet	*		
Freedom of Information Commissioner	*		
Independent Broad-Based Anti-Corruption Commission (IBAC)	*		
Office of the Commissioner for Privacy and Data Protection ^(g)	*		
Victorian Competition and Efficiency Commission	*		
Victorian Electoral Commission	*		
Victorian Inspectorate	*		
Queen Victoria Women's Centre Trust		*	
Department of Economic Development, Jobs, Transport and Resources	*		
Australian Centre for the Moving Image	*		
Game Management Authority ^(h)	*		
Library Board of Victoria	*		
Linking Melbourne Authority ⁽ⁱ⁾	*		
Melbourne Cricket Ground Trust	*		
Melbourne Recital Centre Limited	*		
Museums Board of Victoria	*		
National Gallery of Victoria, Council of Trustees	*		
Public Transport Development Authority	*		
Roads Corporation	*		
Taxi Services Commission	*		
Veterinary Practitioners Registration Board of Victoria	*		
Agriculture Victoria Services Pty Ltd		*	
Dairy Food Safety Victoria		*	
Geelong Performing Arts Centre Trust		*	
Melbourne and Olympic Parks Trust		*	

	Entities included as investments in other sectors		
	General government	Public non-financial corporation	Public financial corporation
Controlled entities^(a)			
Murray Valley Wine Grape Industry Development Committee		*	
Northern Victorian Fresh Tomato Industry Development Committee		*	
Phytogene Pty Ltd		*	
Port of Hastings Development Authority		*	
Port of Melbourne Corporation		*	
PrimeSafe		*	
V/Line Corporation		*	
VicForests		*	
Victorian Arts Centre Trust		*	
Victorian Rail Track		*	
Victorian Regional Channels Authority		*	
Victorian Strawberry Industry Development Committee		*	
Department of Treasury and Finance	*		
CenITex	*		
Courts⁽ⁱ⁾	*		
Judicial College of Victoria ⁽ⁱ⁾	*		

Notes:

(a) On 4 December 2014, the Premier announced machinery of government changes effective from 1 January 2015. The following Victorian government departments were affected:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

(b) The Bendigo Kangan Institute was established on 1 July 2014 as a result of a merger between Bendigo Regional Institute of TAFE and Kangan Institute of TAFE.

(c) Effective from October 2014, Northern Melbourne Institute of TAFE was renamed as Melbourne Polytechnic.

Notes (continued):

- (d) *Under changes to the Environment Protection Act 1970, 12 regional Waste Management Groups wound up on 31 July 2014 and six new regional Waste and Resource Recovery Groups were established, effective from 1 August 2014 as follows:*
- *South Western Regional Waste Management Group and Barwon Regional Waste Management Group have been transferred into the Barwon South West Waste and Resource Recovery Group;*
 - *Gippsland Regional Waste Management Group has been transferred to the Gippsland Waste and Resource Recovery Group;*
 - *Goulburn Valley Regional Waste Management Group has been transferred to the Goulburn Valley Waste and Resource Recovery Group;*
 - *Desert Fringe Regional Waste Management Group, Grampians Regional Waste Management Group and Highlands Regional Waste Management Group have been transferred to the Grampians Central Waste and Resource Recovery Group;*
 - *Calder Regional Waste Management Group, Central Murray Regional Waste Management Group and Mildura Regional Waste Management Group have been transferred to the Loddon Mallee Waste and Resource Recovery Group;*
 - *North East Victorian Regional Waste Management Group has been transferred to the North East Waste and Resource Recovery Group; and*
 - *Mornington Peninsula Waste Management Group has been transferred into the Metropolitan Waste and Resource Recovery Group (an existing entity not abolished under the reform).*
- (e) *Bass Coast Regional Health was renamed Bass Coast Health from 4 September 2014.*
- (f) *Effective from 31 December 2014, the Fire Services Levy Monitor ceased to exist.*
- (g) *Effective from 17 September 2014, the Office of the Commissioner for Privacy and Data Protection commenced operations replacing the Office of the Victorian Privacy Commissioner, which ceased operations on 16 September 2014.*
- (h) *The Game Management Authority Act 2014 established the Game Management Authority as a statutory authority to improve the effectiveness of game management and promote responsibility in game hunting, effective from 1 July 2014.*
- (i) *The Linking Melbourne Authority will cease to exist in the 2015-16 financial year.*
- (j) *The Court Services Victoria Act 2014 established Court Services Victoria as a statutory public sector body to provide the administrative services and facilities for Victoria's courts, the Victorian Civil Administrative Tribunal and the Judicial College of Victoria effective from 1 July 2014.*

CHAPTER 2 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

Table 2.1: Public non-financial corporations sector comprehensive operating statement for the financial year ending 30 June^(a)

(\$ million)

	<i>2014-15 revised</i>	<i>2015-16 budget</i>	<i>2016-17 estimate</i>	<i>2017-18 estimate</i>	<i>2018-19 estimate</i>
Revenue from transactions					
Interest revenue	36.6	30.7	20.4	17.7	19.7
Dividends and income tax equivalent and rate revenue	60.9	73.0	82.3	88.8	98.1
Sales of goods and services	6 002.0	6 106.8	6 016.3	6 173.7	6 462.1
Grants	2 732.1	2 950.0	3 047.4	3 112.1	3 116.1
Other revenue	477.4	421.0	436.8	450.6	469.2
Total revenue from transactions	9 309.0	9 581.5	9 603.1	9 842.9	10 165.0
Expenses from transactions					
Employee expenses	1 073.7	1 084.2	1 093.0	1 118.2	1 136.5
Other superannuation	87.8	90.2	91.6	94.8	96.0
Depreciation	1 977.5	2 129.7	2 234.3	2 257.7	2 364.8
Interest expense	1 151.8	1 148.5	1 132.0	1 110.9	1 130.2
Grants and other transfers	273.5	232.4	184.1	184.6	206.0
Other operating expenses	5 005.8	5 269.3	5 221.7	5 295.3	5 415.9
Other property expenses	121.6	150.7	126.0	162.2	186.5
Total expenses from transactions	9 691.7	10 104.9	10 082.7	10 223.7	10 535.7
Net result from transactions – net operating balance	(382.7)	(523.4)	(479.5)	(380.8)	(370.7)
Total other economic flows included in net result	172.6	4 616.0	221.5	244.8	218.3
Net result	(210.1)	4 092.6	(258.0)	(136.0)	(152.4)

Table 2.1: Public non-financial corporations sector comprehensive operating statement for the financial year ending 30 June^(a) (continued)

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	2 743.3	830.3	(4.3)	(8.0)	(7.7)
Remeasurement of superannuation defined benefit plans	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)
Other movements in equity	59.2	583.6	(53.4)	(3.7)	(7.8)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(4.3)	27.2	2.4	1.1	(0.9)
Total other economic flows – other comprehensive income	2 793.9	1 436.9	(59.6)	(14.8)	(20.6)
Comprehensive result – total change in net worth	2 583.8	5 529.5	(317.6)	(150.8)	(173.1)
KEY FISCAL AGGREGATES					
Net operating balance	(382.7)	(523.4)	(479.5)	(380.8)	(370.7)
Less: Net acquisition of non-financial assets from transactions	1 954.8	(5 095.6)	1 572.9	1 474.8	1 762.0
Net lending/(borrowing)	(2 337.5)	4 572.2	(2 052.4)	(1 855.6)	(2 132.7)

Source: Department of Treasury and Finance

Note:

(a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.

Table 2.2: Public non-financial corporations sector balance sheet as at 30 June

(\$ million)

	2015 <i>revised</i>	2016 <i>estimate</i>	2017 <i>estimate</i>	2018 <i>estimate</i>	2019 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	581.4	472.6	395.0	389.1	328.0
Advances paid	53.3	49.1	45.4	42.4	40.2
Receivables	1 275.8	1 095.2	1 223.2	1 264.7	1 279.0
Investments, loans and placements	1 082.7	1 171.6	1 070.5	1 171.7	1 368.9
Investments accounted for using equity method	1 243.2	1 243.2	1 243.2	1 243.2	1 243.2
Total financial assets	4 236.4	4 031.7	3 977.3	4 111.0	4 259.2
Non-financial assets					
Inventories	603.4	591.2	553.0	554.6	598.3
Non-financial assets held for sale	0.8	..	..	..	..
Land, buildings, infrastructure, plant and equipment	99 065.1	99 758.3	101 428.1	102 962.8	104 734.1
Other non-financial assets	1 361.2	1 296.8	1 263.9	1 221.9	1 209.6
Total non-financial assets	101 030.5	101 646.2	103 245.0	104 739.3	106 542.0
Total assets	105 266.9	105 677.9	107 222.3	108 850.3	110 801.3
Liabilities					
Deposits held and advances received	369.2	370.4	368.5	368.8	369.4
Payables	1 668.5	1 547.5	1 514.2	1 447.8	1 470.2
Borrowings	16 256.5	16 882.5	17 115.1	17 317.0	17 759.1
Employee benefits	354.6	354.1	363.0	367.3	374.8
Superannuation	49.3	35.0	34.6	34.2	34.0
Other provisions	8 832.1	8 595.1	8 447.1	8 169.4	7 886.9
Total liabilities	27 530.1	27 784.6	27 842.5	27 704.5	27 894.4
Net assets	77 736.8	77 893.2	79 379.8	81 145.8	82 906.9
Accumulated surplus/(deficit)	4 640.6	9 059.5	8 510.2	8 140.0	7 718.0
Reserves	73 096.2	68 833.7	70 869.6	73 005.8	75 188.9
Net worth	77 736.8	77 893.2	79 379.8	81 145.8	82 906.9
FISCAL AGGREGATES					
Net financial worth	(23 293.7)	(23 753.0)	(23 865.2)	(23 593.5)	(23 635.1)
Net financial liabilities	23 293.7	23 753.0	23 865.2	23 593.5	23 635.1
Net debt	14 908.2	15 559.6	15 972.6	16 082.7	16 391.5

Source: Department of Treasury and Finance

Table 2.3: Public non-financial corporations sector cash flow statement for the financial year ending 30 June^(a)

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Grants	2 705.9	3 013.1	3 099.5	3 113.0	3 087.2
Sales of goods and services ^(b)	6 518.0	6 685.7	6 570.7	6 691.9	7 093.8
Interest received	35.0	28.9	21.4	17.5	19.5
Dividends and income tax equivalent and rate equivalent receipts	60.5	73.0	82.2	88.7	98.1
Other receipts	534.4	295.7	238.8	264.2	281.0
Total receipts	9 853.8	10 096.4	10 012.6	10 175.4	10 579.6
Payments					
Payments for employees	(1 072.9)	(1 083.9)	(1 083.3)	(1 113.1)	(1 128.1)
Superannuation	(91.1)	(108.7)	(96.2)	(99.4)	(100.4)
Interest paid	(1 121.7)	(1 136.3)	(1 119.0)	(1 101.4)	(1 117.7)
Grants and subsidies	(100.4)	(119.4)	(65.9)	(39.3)	(42.9)
Goods and services ^(b)	(4 088.6)	(4 167.0)	(3 902.9)	(3 959.7)	(4 050.1)
Other payments	(1 944.1)	(1 831.5)	(2 196.1)	(2 292.7)	(2 344.7)
Total payments	(8 418.8)	(8 446.7)	(8 463.3)	(8 605.7)	(8 784.0)
Net cash flows from operating activities	1 435.0	1 649.7	1 549.4	1 569.7	1 795.6
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(2 456.7)	4 423.6	(1 851.3)	(1 654.9)	(1 959.6)
Net cash flows from investments in financial assets for policy purposes	3.0	(41.9)	(87.1)	(39.0)	(53.6)
Net cash flows from investment in financial assets for liquidity management purposes	(69.6)	(61.6)	103.3	(61.4)	(197.1)
Net cash flows from investing activities	(2 523.3)	4 320.0	(1 835.1)	(1 755.4)	(2 210.3)
Cash flows from financing activities					
Advances received (net)	13.7	1.1	(1.6)	(0.7)	(1.1)
Net borrowings	(112.4)	626.0	232.6	194.9	435.0
Deposits received (net)	(48.1)	(0.2)	(1.0)	1.6	2.2
Other financing (net)	832.8	(6 705.5)	(21.8)	(23.1)	(89.7)
Net cash flows from financing activities	686.0	(6 078.5)	208.1	172.8	346.5
Net increase/(decrease) in cash and cash equivalents	(402.3)	(108.8)	(77.7)	(12.9)	(68.2)
Cash and cash equivalents at beginning of reporting period	983.7	581.4	472.6	395.0	382.1
Cash and cash equivalents at end of reporting period^(c)	581.4	472.6	395.0	382.1	313.9

Table 2.3: Public non-financial corporations sector cash flow statement for the financial year ending 30 June^(a) (continued)

(\$ million)

	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate	2018-19 estimate
FISCAL AGGREGATES					
Net cash flows from operating activities	1 435.0	1 649.7	1 549.4	1 569.7	1 795.6
Dividends paid	(266.1)	(215.6)	(195.6)	(182.7)	(216.6)
Net cash flows from investments in non-financial assets	(2 456.7)	4 423.6	(1 851.3)	(1 654.9)	(1 959.6)
Cash surplus/(deficit)	(1 287.8)	5 857.7	(497.5)	(267.9)	(380.6)

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) Inclusive of goods and services tax.
- (c) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to the overdraft being included on the cash flow statement.

Table 2.4: Public non-financial corporations sector statement of changes in equity for the financial year ending 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
2014-15 Revised		
Balance at 1 July 2014	5 094.5	32 963.0
Net result	(210.1)	..
Dividends paid	(265.6)	..
Other comprehensive income for the year	21.8	..
Transactions with owners in their capacity as owners	..	2 445.4
Total equity at end of period	4 640.6	35 408.4
2015-16 Estimate		
Balance at 1 July 2015	4 640.6	35 408.4
Net result	4 092.6	..
Dividends paid	(215.6)	..
Other comprehensive income for the year	541.8	..
Transactions with owners in their capacity as owners	..	(5 157.5)
Total equity at end of period	9 059.5	30 250.9
2016-17 Estimate		
Balance at 1 July 2016	9 059.5	30 250.9
Net result	(258.0)	..
Dividends paid	(195.6)	..
Other comprehensive income for the year	(95.6)	..
Transactions with owners in their capacity as owners	..	1 999.8
Total equity at end of period	8 510.2	32 250.7
2017-18 Estimate		
Balance at 1 July 2017	8 510.2	32 250.7
Net result	(136.0)	..
Dividends paid	(182.7)	..
Other comprehensive income for the year	(51.5)	..
Transactions with owners in their capacity as owners	..	2 099.5
Total equity at end of period	8 140.0	34 350.2
2018-19 Estimate		
Balance at 1 July 2018	8 140.0	34 350.2
Net result	(152.4)	..
Dividends paid	(216.6)	..
Other comprehensive income for the year	(53.0)	..
Transactions with owners in their capacity as owners	..	2 150.8
Total equity at end of period	7 718.0	36 500.9

Source: Department of Treasury and Finance

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
34 576.1	339.6	72 973.2
..	..	(210.1)
..	..	(265.6)
2 743.3	28.8	2 793.9
..	..	2 445.4
37 319.3	368.5	77 736.8
37 319.3	368.5	77 736.8
..	..	4 092.6
..	..	(215.6)
830.3	64.7	1 436.9
..	..	(5 157.5)
38 149.7	433.2	77 893.2
38 149.7	433.2	77 893.2
..	..	(258.0)
..	..	(195.6)
(4.3)	40.3	(59.6)
..	..	1 999.8
38 145.4	473.5	79 379.8
38 145.4	473.5	79 379.8
..	..	(136.0)
..	..	(182.7)
(8.0)	44.7	(14.8)
..	..	2 099.5
38 137.4	518.2	81 145.8
38 137.4	518.2	81 145.8
..	..	(152.4)
..	..	(216.6)
(7.7)	40.0	(20.6)
..	..	2 150.8
38 129.7	558.3	82 906.9

Table 2.5: Derivation of public non-financial corporations sector GFS cash surplus/(deficit)

	(\$ million)				
	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate	2018-19 estimate
Cash surplus/(deficit)	(1 287.8)	5 857.7	(497.5)	(267.9)	(380.6)
Convergence differences:					
Acquisitions under finance leases and similar arrangements	..	..	..	..	..
GFS cash surplus/(deficit)^(a)	(1 287.8)	5 857.7	(497.5)	(267.9)	(380.6)

Source: Department of Treasury and Finance.

Note:

(a) Determined in accordance with the ABS GFS manual.

Table 2.6: Net acquisition of non-financial assets – public non-financial corporations sector^(a)

	(\$ million)				
	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate	2018-19 estimate
Purchases of non-financial assets less sales of non-financial assets	2 456.7	(4 423.6)	1 851.3	1 654.9	1 959.6
Less: depreciation	(1 977.5)	(2 129.7)	(2 234.3)	(2 257.7)	(2 364.8)
Plus: other movements in non-financial assets	1 475.5	1 457.6	1 956.0	2 077.6	2 167.2
Total net acquisition of non-financial assets	1 954.8	(5 095.6)	1 572.9	1 474.8	1 762.0

Source: Department of Treasury and Finance

Note:

(a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.

Table 2.7: Non-financial public sector comprehensive operating statement for the financial year ending 30 June^(a)

	(\$ million)				
	2014-15	2015-16	2016-17	2017-18	2018-19
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Revenue from transactions					
Taxation revenue	17 861.2	18 595.0	19 567.1	20 148.4	21 064.8
Interest revenue	363.6	369.7	387.0	414.9	425.5
Dividends and income tax equivalent and rate equivalent revenue	696.9	831.3	744.1	746.2	735.6
Sales of goods and services	10 533.1	10 654.2	10 595.4	10 912.3	11 269.5
Grants	24 585.7	25 580.8	26 092.9	27 510.5	28 608.4
Other revenue	2 786.1	2 591.6	2 686.2	2 686.0	2 758.3
Total revenue from transactions	56 826.6	58 622.6	60 072.8	62 418.3	64 862.1
Expenses from transactions					
Employee expenses	19 504.8	20 939.5	21 612.2	22 560.5	23 432.4
Net superannuation interest expense	1 038.0	886.5	859.5	831.5	798.2
Other superannuation	1 951.9	2 191.8	2 198.7	2 216.7	2 243.4
Depreciation	4 474.9	4 706.5	4 956.0	5 137.9	5 510.9
Interest expense	2 757.0	2 752.8	2 745.2	2 808.3	2 787.5
Grants and other transfers	5 576.3	5 822.4	6 169.4	6 503.0	6 805.6
Other operating expenses	21 291.1	20 862.7	20 816.0	21 567.8	22 054.9
Total expenses from transactions	56 594.2	58 162.4	59 356.9	61 625.6	63 632.8
Net result from transactions – net operating balance	232.4	460.2	716.0	792.7	1 229.3
Total other economic flows included in net result	(343.0)	3 831.3	(273.1)	(241.9)	(291.6)
Net result	(110.6)	4 291.5	442.8	550.7	937.7
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	8 533.3	2 165.1	510.7	9 493.6	414.6
Remeasurement of superannuation defined benefit plans	(4 283.1)	958.2	990.8	1 023.0	1 058.6
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	119.9	77.5	135.2	110.7	134.2
Other movements in equity	73.1	490.4	98.8	(4.0)	10.7
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(3.1)	28.5	3.7	2.4	0.4
Total other economic flows – other comprehensive income	4 440.1	3 719.7	1 739.2	10 625.7	1 618.4
Comprehensive result – total change in net worth	4 329.5	8 011.2	2 182.0	11 176.4	2 556.1

Table 2.7: Non-financial public sector comprehensive operating statement for the financial year ending 30 June^(a) (continued)

	(\$ million)				
	2014-15	2015-16	2016-17	2017-18	2018-19
	revised	budget	estimate	estimate	estimate
KEY FISCAL AGGREGATES					
Net operating balance	232.4	460.2	716.0	792.7	1 229.3
Less: Net acquisition of non-financial assets from transactions	1 780.2	(4 041.4)	3 049.9	2 476.9	1 487.5
Net lending/(borrowing)	(1 547.8)	4 501.6	(2 333.9)	(1 684.2)	(258.2)

Source: Department of Treasury and Finance

Note:

(a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.

Table 2.8: Non-financial public sector balance sheet as at 30 June

(\$ million)

	2015 <i>revised</i>	2016 <i>estimate</i>	2017 <i>estimate</i>	2018 <i>estimate</i>	2019 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	5 494.0	5 582.8	5 823.9	6 183.2	6 509.5
Advances paid	84.3	76.4	71.3	64.7	58.5
Receivables	5 365.5	5 152.6	5 344.0	5 457.4	5 632.7
Investments, loans and placements	4 122.0	4 318.0	4 345.8	4 582.3	4 916.7
Investments accounted for using equity method	1 555.1	1 555.1	1 555.1	1 555.1	1 555.1
Investments in other sector entities	2 710.0	2 804.1	2 955.9	1 848.2	1 999.0
Total financial assets	19 330.9	19 489.1	20 096.0	19 691.0	20 671.5
Non-financial assets					
Inventories	758.5	749.6	715.0	721.0	769.2
Non-financial assets held for sale	129.2	128.5	128.5	128.5	128.5
Land, buildings, infrastructure, plant and equipment	208 698.7	211 538.9	215 306.8	227 485.7	229 502.4
Other non-financial assets	2 314.5	2 223.7	2 184.2	2 048.2	1 951.8
Total non-financial assets	211 900.9	214 640.6	218 334.5	230 383.5	232 351.8
Total assets	231 231.9	234 129.7	238 430.4	250 074.4	253 023.3
Liabilities					
Deposits held and advances received	489.5	489.9	489.3	491.4	493.5
Payables	6 793.0	6 508.4	6 494.0	6 408.5	6 203.0
Borrowings	45 356.4	41 942.3	44 980.8	45 869.3	47 214.9
Employee benefits	5 874.4	6 120.9	6 371.9	6 622.9	6 873.5
Superannuation	30 801.5	29 843.9	28 703.5	28 091.2	27 058.9
Other provisions	1 473.7	769.8	754.5	778.3	810.4
Total liabilities	90 788.5	85 675.2	87 793.9	88 261.5	88 654.2
Net assets	140 443.4	148 454.5	150 636.5	161 812.9	164 369.1
Accumulated surplus/(deficit)	42 633.4	48 325.1	49 805.0	51 316.2	53 267.2
Reserves	97 759.9	100 079.5	100 781.5	110 446.7	111 051.9
Non-controlling interest	50.0	50.0	50.0	50.0	50.0
Net worth	140 443.4	148 454.5	150 636.5	161 812.9	164 369.1
FISCAL AGGREGATES					
Net financial worth	(71 457.6)	(66 186.1)	(67 698.0)	(68 570.6)	(67 982.7)
Net financial liabilities	74 167.6	68 990.2	70 653.9	70 418.8	69 981.7
Net debt	36 145.6	32 454.8	35 229.1	35 530.4	36 223.7

Source: Department of Treasury and Finance

Table 2.9: Non-financial public sector cash flow statement for the financial year ending 30 June^(a)

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Taxes received	18 046.7	18 577.8	19 498.6	20 000.2	20 918.1
Grants	24 549.4	25 671.2	26 092.9	27 510.5	28 608.4
Sales of goods and services ^(b)	11 808.1	12 005.4	12 003.5	12 294.9	12 531.0
Interest received	360.6	367.5	387.5	397.4	408.0
Dividends and income tax equivalent and rate equivalent receipts	704.9	831.4	744.1	746.0	682.2
Other receipts	2 263.4	2 029.1	1 864.2	2 036.9	2 080.1
Total receipts	57 733.1	59 482.3	60 590.8	62 985.9	65 227.9
Payments					
Payments for employees	(19 287.4)	(20 692.9)	(21 361.1)	(22 309.4)	(23 181.7)
Superannuation	(2 772.8)	(3 077.7)	(3 207.8)	(2 637.4)	(3 015.4)
Interest paid	(2 707.2)	(2 721.7)	(2 712.4)	(2 762.3)	(2 738.6)
Grants and subsidies	(5 514.9)	(5 836.7)	(6 201.6)	(6 433.0)	(6 734.8)
Goods and services ^(b)	(21 341.4)	(21 512.9)	(21 355.1)	(22 154.4)	(22 580.9)
Other payments	(619.7)	(765.0)	(696.0)	(727.4)	(756.0)
Total payments	(52 243.3)	(54 606.9)	(55 534.1)	(57 023.7)	(59 007.3)
Net cash flows from operating activities	5 489.8	4 875.4	5 056.7	5 962.1	6 220.6
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(6 114.8)	505.6	(7 464.0)	(6 828.1)	(6 859.9)
Net cash flows from investments in financial assets for policy purposes	385.7	(53.1)	45.9	1 178.7	(52.0)
Net cash flows from investment in financial assets for liquidity management purposes	38.9	(154.3)	(13.1)	(184.3)	(324.4)
Net cash flows from investing activities	(5 690.2)	298.3	(7 431.2)	(5 833.7)	(7 236.3)
Cash flows from financing activities					
Advances received (net)	..	..	..	..	..
Net borrowings	261.8	(5 085.1)	2 616.1	221.9	1 332.8
Deposits received (net)	(52.0)	0.3	(0.6)	2.1	2.1
Net cash flows from financing activities	209.8	(5 084.8)	2 615.5	224.0	1 335.0
Net increase/(decrease) in cash and cash equivalents	9.4	88.9	241.0	352.3	319.3
Cash and cash equivalents at beginning of reporting period	5 484.6	5 494.0	5 582.8	5 823.9	6 176.2
Cash and cash equivalents at end of reporting period^(c)	5 494.0	5 582.8	5 823.9	6 176.2	6 495.5

Table 2.9: Non-financial public sector cash flow statement for the financial year ending 30 June^(a) (continued)

(\$ million)

	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate	2018-19 estimate
FISCAL AGGREGATES					
Net cash flows from operating activities	5 489.8	4 875.4	5 056.7	5 962.1	6 220.6
Net cash flows from investments in non-financial assets	(6 114.8)	505.6	(7 464.0)	(6 828.1)	(6 859.9)
Cash surplus/(deficit)	(625.0)	5 381.0	(2 407.3)	(866.0)	(639.3)

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) Inclusive of goods and services tax.
- (c) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to the overdraft being included on the cash flow statement.

Table 2.10: Non-financial public sector statement of changes in equity for the financial year ending 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
2014-15 Revised		
Balance at 1 July 2014 ^(a)	46 987.1	50.0
Net result	(110.7)	..
Other comprehensive income for the year	(4 242.9)	..
Total equity at end of period	42 633.4	50.0
2015-16 Estimate		
Balance at 1 July 2015	42 633.4	50.0
Net result	4 291.5	..
Other comprehensive income for the year	1 400.1	..
Total equity at end of period	48 325.1	50.0
2016-17 Estimate		
Balance at 1 July 2016	48 325.1	50.0
Net result	442.8	..
Other comprehensive income for the year	1 037.2	..
Total equity at end of period	49 805.0	50.0
2017-18 Estimate		
Balance at 1 July 2017	49 805.0	50.0
Net result	550.7	..
Other comprehensive income for the year	960.4	..
Total equity at end of period	51 316.2	50.0
2018-19 Estimate		
Balance at 1 July 2018	51 316.2	50.0
Net result	937.7	..
Other comprehensive income for the year	1 013.3	..
Total equity at end of period	53 267.2	50.0

Source: Department of Treasury and Finance

Note:

(a) The balance at 1 July 2014 has been restated to reflect a change in accounting policy associated with the valuation of school building assets.

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
85 492.8	2 604.2	979.9	136 114.0
..	..	..	(110.7)
8 533.3	119.9	29.9	4 440.1
94 026.1	2 724.1	1 009.8	140 443.4
94 026.1	2 724.1	1 009.8	140 443.4
..	..	..	4 291.5
2 165.1	77.5	76.9	3 719.7
96 191.2	2 801.6	1 086.7	148 454.5
96 191.2	2 801.6	1 086.7	148 454.5
..	..	..	442.8
510.7	135.2	56.1	1 739.2
96 701.9	2 936.8	1 142.8	150 636.5
96 701.9	2 936.8	1 142.8	150 636.5
..	..	..	550.7
9 493.6	110.7	61.0	10 625.7
106 195.4	3 047.5	1 203.8	161 812.9
106 195.4	3 047.5	1 203.8	161 812.9
..	..	..	937.7
414.6	134.2	56.4	1 618.4
106 610.0	3 181.7	1 260.2	164 369.1

Table 2.11: Derivation of non-financial public sector GFS cash surplus/(deficit)

	(\$ million)				
	2014-15	2015-16	2016-17	2017-18	2018-19
	revised	estimate	estimate	estimate	estimate
Cash surplus/(deficit)	(625.0)	5 381.0	(2 407.3)	(866.0)	(639.3)
Convergence differences:					
Acquisitions under finance leases and similar arrangements ^(a)	(36.4)	(1 050.4)	(416.7)	(653.8)	..
GFS cash surplus/(deficit)^(b)	(661.5)	4 330.5	(2 824.0)	(1 519.8)	(639.3)

Source: Department of Treasury and Finance

Notes:

- (a) The finance lease acquisition in 2014-15 relates to metropolitan bus contracts. The 2015-16 estimate relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate relates to the new Bendigo Hospital project (stage 1) and the New Schools PPP project (tranche 1). The 2017-18 estimate relates to the Ravenhall Prison project, the new Bendigo Hospital project (stage 2) and the New Schools PPP project (tranche 2).
- (b) Determined in accordance with the ABS GFS manual.

Table 2.12: Net acquisition of non-financial assets – non-financial public sector^(a)

	(\$ million)				
	2014-15	2015-16	2016-17	2017-18	2018-19
	revised	estimate	estimate	estimate	estimate
Purchases of non-financial assets less sales of non-financial assets	6 114.8	(505.6)	7 464.0	6 828.1	6 859.9
Less: depreciation	(4 474.9)	(4 706.5)	(4 956.0)	(5 137.9)	(5 510.9)
Plus: other movements in non-financial assets ^(b)	140.3	1 170.8	541.8	786.7	138.5
Total net acquisition of non-financial assets	1 780.2	(4 041.4)	3 049.9	2 476.9	1 487.5

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) The other movements in non-financial assets in 2014-15 predominantly relates to the recognition of finance lease arrangements relating to the metropolitan bus contracts and developer contributions to metropolitan water corporations. The 2015-16 estimate predominantly relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate predominantly relates to the new Bendigo Hospital project (stage 1) and the New Schools PPP project (tranche 1). The 2017-18 estimate predominantly relates to the Ravenhall Prison project, the new Bendigo Hospital project (stage 2) and the New Schools PPP project (tranche 2). The 2018-19 estimate predominantly relates to developer contributions to metropolitan water corporations.

Table 2.13: Public financial corporations sector comprehensive operating statement for the financial year ending 30 June

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Revenue from transactions					
Interest revenue	2 337.7	2 398.3	2 324.9	2 385.1	2 367.4
Dividends and income tax equivalent and rate equivalent revenue	703.0	991.6	1 136.8	1 110.4	985.5
Sales of goods and services	3 989.1	4 167.8	4 374.2	4 589.9	4 797.3
Grants	..	..	..	..	..
Other revenue	24.8	23.1	24.0	24.8	25.4
Total revenue from transactions	7 054.6	7 580.7	7 859.9	8 110.2	8 175.6
Expenses from transactions					
Employee expenses	291.1	297.2	304.0	311.9	319.3
Other superannuation	22.6	23.7	24.2	24.2	24.8
Depreciation	52.5	54.8	57.6	55.1	56.3
Interest expense	2 070.1	2 022.2	1 910.8	1 953.4	1 924.2
Other operating expenses	5 588.7	5 871.1	6 107.5	6 417.0	6 679.6
Other property expenses	1.2	207.5	238.1	252.1	236.3
Total expenses from transactions	8 026.2	8 476.4	8 642.3	9 013.8	9 240.6
Net result from transactions – net operating balance^(a)	(971.6)	(895.7)	(782.4)	(903.6)	(1 065.0)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	..	..	..	..	..
Net gain/(loss) on financial assets or liabilities at fair value	628.5	787.7	715.9	853.6	1 023.5
Other gains/(losses) from other economic flows	(539.5)	694.9	722.2	752.2	782.5
Total other economic flows included in net result	89.0	1 482.6	1 438.1	1 605.9	1 806.0
Net result	(882.6)	586.9	655.7	702.3	741.0
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	..	..	..	..	..
Other movements in equity	(266.7)	(3.3)	(5.9)	(13.7)	(8.9)
Total other economic flows – other comprehensive income	(266.7)	(3.3)	(5.9)	(13.7)	(8.9)
Comprehensive result – total change in net worth	(1 149.3)	583.6	649.8	688.6	732.1

Table 2.13: Public financial corporations sector comprehensive operating statement for the financial year ending 30 June (continued)

	(\$ million)				
	2014-15	2015-16	2016-17	2017-18	2018-19
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
KEY FISCAL AGGREGATES					
Net operating balance	(971.6)	(895.7)	(782.4)	(903.6)	(1 065.0)
Less: Net acquisition of non-financial assets from transactions	(10.8)	(8.3)	(4.6)	5.0	(14.9)
Net lending/(borrowing)	(960.8)	(887.4)	(777.8)	(908.5)	(1 050.1)

Source: Department of Treasury and Finance

Note:

- (a) Capital gains on the investment portfolios of the State's insurance agencies (WorkSafe Victoria, Transport Accident Commission and Victorian Managed Insurance Authority) are classified as other economic flows. As these capital gains are available to fund claims expenses, the net result provides a more meaningful reflection of the underlying operating performance of the PFC sector than the net result from transactions.

Table 2.14: Public financial corporations sector balance sheet as at 30 June

	(\$ million)				
	2015 <i>revised</i>	2016 <i>estimate</i>	2017 <i>estimate</i>	2018 <i>estimate</i>	2019 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	5 171.7	5 219.3	5 561.5	4 601.9	4 939.1
Advances paid	67.5	69.0	70.6	18.6	21.1
Investments, loans and placements	29 470.6	31 589.8	31 922.0	33 665.2	35 591.0
Loans receivable from non-financial public sector ^(a)	36 433.5	31 591.9	34 438.2	35 000.1	36 537.8
Receivables	1 451.6	1 471.3	1 509.2	1 555.1	1 587.0
Total financial assets	72 594.8	69 941.2	73 501.5	74 840.9	78 676.1
Non-financial assets					
Non-financial assets held for sale	..	..	..	..	..
Land, buildings, infrastructure, plant and equipment	85.3	81.3	83.8	87.8	78.0
Other non-financial assets	1 150.5	1 074.3	966.0	828.2	820.0
Total non-financial assets	1 235.8	1 155.6	1 049.8	916.0	898.0
Total assets	73 830.6	71 096.8	74 551.3	75 756.8	79 574.1
Liabilities					
Deposits held and advances received	5 550.3	5 530.1	5 371.5	5 575.4	5 890.6
Payables	1 530.0	1 598.6	1 679.9	1 741.7	1 800.5
Borrowings ^(b)	42 824.6	38 775.0	40 802.2	41 360.5	42 894.4
Employee benefits	79.4	81.2	83.2	85.6	87.8
Other provisions	25 908.6	27 193.4	28 551.8	29 991.3	31 493.7
Total liabilities	75 892.8	73 178.3	76 488.5	78 754.6	82 167.0
Net assets^(b)	(2 062.2)	(2 081.5)	(1 937.2)	(2 997.7)	(2 592.9)
Accumulated surplus/(deficit)	(2 312.7)	(2 349.5)	(2 222.0)	(2 064.1)	(1 675.9)
Reserves	250.5	268.0	284.8	(933.6)	(917.0)
Net worth^(b)	(2 062.2)	(2 081.5)	(1 937.2)	(2 997.7)	(2 592.9)
FISCAL AGGREGATES					
Net financial worth	(3 297.9)	(3 237.1)	(2 987.0)	(3 913.7)	(3 490.9)
Net financial liabilities	3 297.9	3 237.1	2 987.0	3 913.7	3 490.9
Net debt	(22 768.4)	(24 164.8)	(25 818.6)	(26 349.8)	(28 304.0)

Source: Department of Treasury and Finance

Notes:

(a) Loans receivable from the non-financial public sector are measured at amortised cost.

(b) Treasury Corporation of Victoria's external loan liabilities are reported at mark-to-market while the corresponding assets that is lending to the non-financial public sector, are reported at historical value. This mismatch results in the negative net asset position of the sector.

Table 2.15: Public financial corporations sector cash flow statement for the financial year ending 30 June^(a)

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Grants	..	..	..	..	..
Sales of goods and services ^(b)	4 365.5	4 595.5	4 821.1	5 050.4	5 275.5
Interest received	2 240.3	2 300.9	2 227.5	2 287.6	2 270.0
Dividends and income tax equivalent and rate equivalent receipts	703.0	991.6	1 136.8	1 110.4	985.5
Other receipts	74.9	33.0	16.1	13.4	16.5
Total receipts	7 383.7	7 921.0	8 201.6	8 461.7	8 547.4
Payments					
Payments for employees	(299.5)	(295.3)	(302.0)	(309.5)	(317.2)
Superannuation	(22.6)	(23.7)	(24.2)	(24.2)	(24.8)
Interest paid	(2 083.4)	(2 042.7)	(1 935.7)	(1 975.5)	(1 951.4)
Goods and services ^(b)	(4 304.4)	(4 288.0)	(4 426.9)	(4 661.9)	(4 847.9)
Other payments	(66.5)	(124.3)	(124.2)	(109.9)	(211.8)
Total payments	(6 776.4)	(6 774.1)	(6 813.1)	(7 081.1)	(7 353.1)
Net cash flows from operating activities	607.2	1 146.9	1 388.5	1 380.7	1 194.3
Cash flows from investing activities					
Purchases of non-financial assets	(42.7)	(47.5)	(54.0)	(61.0)	(42.3)
Sales of non-financial assets	1.0	1.0	0.9	0.9	0.9
Cash flows from investments in non-financial assets	(41.6)	(46.6)	(53.0)	(60.1)	(41.4)
Net cash flows from investments in financial assets for policy and liquidity purposes	261.2	3 607.2	(2 369.8)	(1 306.0)	(2 349.5)
Net cash flows from investing activities	219.5	3 560.6	(2 422.8)	(1 366.0)	(2 390.9)
Cash flows from financing activities					
Advances received (net)	13.2	2.8	3.0	(51.0)	5.0
Net borrowings	(446.4)	(4 036.8)	2 040.7	570.9	1 545.9
Deposits received (net)	(389.9)	(23.0)	(161.6)	254.9	310.2
Other financing (net)	(523.4)	(602.9)	(505.6)	(1 749.1)	(327.3)
Net cash flows from financing activities	(1 346.5)	(4 659.9)	1 376.6	(974.3)	1 533.8
Net increase/(decrease) in cash and cash equivalents	(519.7)	47.6	342.3	(959.6)	337.3
Cash and cash equivalents at beginning of reporting period	5 691.4	5 171.7	5 219.3	5 561.5	4 601.9
Cash and cash equivalents at end of reporting period	5 171.7	5 219.3	5 561.5	4 601.9	4 939.1

Table 2.15: Public financial corporations sector cash flow statement for the financial year ending 30 June^(a) (continued)

(\$ million)

	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities	607.2	1 146.9	1 388.5	1 380.7	1 194.3
Dividends paid	(562.5)	(619.5)	(522.2)	(530.7)	(343.9)
Net cash flows from investments in non-financial assets	(41.6)	(46.6)	(53.0)	(60.1)	(41.4)
Cash surplus/(deficit)	3.1	480.8	813.3	789.9	809.0

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
 (b) Inclusive of goods and services tax.

Table 2.16: Public financial corporations sector statement of changes in equity for the financial year ending 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
2014-15 Revised		
Balance at 1 July 2014	(749.2)	254.3
Net result	(882.6)	..
Dividends paid	(562.5)	..
Other comprehensive income for the year	(118.4)	..
Transactions with owners in their capacity as owners	..	(38.1)
Total equity at end of period	(2 312.7)	216.2
2015-16 Estimate		
Balance at 1 July 2015	(2 312.7)	216.2
Net result	586.9	..
Dividends paid	(619.5)	..
Other comprehensive income for the year	(4.2)	..
Transactions with owners in their capacity as owners	..	16.6
Total equity at end of period	(2 349.5)	232.8
2016-17 Estimate		
Balance at 1 July 2016	(2 349.5)	232.8
Net result	655.7	..
Dividends paid	(522.2)	..
Other comprehensive income for the year	(6.1)	..
Transactions with owners in their capacity as owners	..	16.6
Total equity at end of period	(2 222.0)	249.4
2017-18 Estimate		
Balance at 1 July 2017	(2 222.0)	249.4
Net result	702.3	..
Dividends paid	(530.7)	..
Other comprehensive income for the year	(13.7)	..
Transactions with owners in their capacity as owners	..	(1 218.4)
Total equity at end of period	(2 064.1)	(969.0)
2018-19 Estimate		
Balance at 1 July 2018	(2 064.1)	(969.0)
Net result	741.0	..
Dividends paid	(343.9)	..
Other comprehensive income for the year	(8.9)	..
Transactions with owners in their capacity as owners	..	16.6
Total equity at end of period	(1 675.9)	(952.4)

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2.1	180.6	(312.3)
..	..	(882.6)
..	..	(562.5)
..	(148.3)	(266.7)
..	..	(38.1)
2.1	32.2	(2 062.2)
2.1	32.2	(2 062.2)
..	..	586.9
..	..	(619.5)
..	0.9	(3.3)
..	..	16.6
2.1	33.2	(2 081.5)
2.1	33.2	(2 081.5)
..	..	655.7
..	..	(522.2)
..	0.2	(5.9)
..	..	16.6
2.1	33.3	(1 937.2)
2.1	33.3	(1 937.2)
..	..	702.3
..	..	(530.7)
..	..	(13.7)
..	..	(1 218.4)
2.1	33.3	(2 997.7)
2.1	33.3	(2 997.7)
..	..	741.0
..	..	(343.9)
..	..	(8.9)
..	..	16.6
2.1	33.3	(2 592.9)

Table 2.17: Derivation of public financial corporations sector GFS cash surplus/(deficit)

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Cash surplus/(deficit)	3.1	480.8	813.3	789.9	809.0
Convergence differences:					
Acquisitions under finance leases and similar arrangements	..	..	..	..	..
GFS cash surplus/(deficit)^(a)	3.1	480.8	813.3	789.9	809.0

Source: Department of Treasury and Finance

Note:

(a) Determined in accordance with the ABS GFS manual.

Table 2.18: Net acquisition of non-financial assets – public financial corporations sector

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Purchases of non-financial assets less sales of non-financial assets	41.6	46.6	53.0	60.1	41.4
Less: depreciation	(52.5)	(54.8)	(57.6)	(55.1)	(56.3)
Plus: other movements in non-financial assets	..	..	..	..	..
Total net acquisition of non-financial assets	(10.8)	(8.3)	(4.6)	5.0	(14.9)

Source: Department of Treasury and Finance

Table 2.19: State of Victoria operating statement for the financial year ending 30 June^(a)

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Revenue from transactions					
Taxation revenue	17 847.2	18 580.5	19 552.3	20 133.3	21 049.4
Interest revenue	739.9	833.9	884.3	925.0	931.8
Dividends and income tax equivalent and rate equivalent revenue	779.3	1 079.0	1 234.6	1 215.9	1 100.6
Sales of goods and services	13 855.6	14 137.2	14 251.7	14 748.2	15 290.7
Grants	24 470.1	25 434.8	25 941.2	27 366.4	28 464.8
Other revenue	2 810.9	2 614.8	2 710.3	2 710.8	2 783.8
Total revenue from transactions	60 502.9	62 680.2	64 574.4	67 099.6	69 621.1
Expenses from transactions					
Employee expenses	19 476.4	20 899.8	21 576.5	22 527.9	23 409.6
Net superannuation interest expense	1 038.0	886.5	859.5	831.5	798.2
Other superannuation	1 974.6	2 215.5	2 222.9	2 240.9	2 268.2
Depreciation	4 527.4	4 761.4	5 013.6	5 193.0	5 567.1
Interest expense	2 865.7	2 840.9	2 828.5	2 886.6	2 850.7
Grants and other transfers	5 574.4	5 822.4	6 169.4	6 503.0	6 805.6
Other operating expenses	26 404.9	26 225.5	26 378.6	27 416.2	28 141.5
Total expenses from transactions	61 861.4	63 652.0	65 049.0	67 599.2	69 840.9
Net result from transactions – net operating balance	(1 358.5)	(971.8)	(474.6)	(499.6)	(219.8)
Total other economic flows included in net result	(254.1)	5 313.9	1 164.9	1 364.0	1 514.4
Net result	(1 612.5)	4 342.1	690.3	864.4	1 294.6
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	8 533.3	2 165.1	510.7	9 493.6	414.6
Remeasurement of superannuation defined benefit plans	(4 283.1)	958.2	990.8	1 023.0	1 058.6
Other movements in equity	74.2	487.1	93.0	(17.7)	1.8
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(3.1)	28.5	3.7	2.4	0.4
Total other economic flows – other comprehensive income	4 321.3	3 638.8	1 598.1	10 501.3	1 475.3
Comprehensive result – total change in net worth	2 708.8	7 980.9	2 288.4	11 365.6	2 769.9

Table 2.19: State of Victoria operating statement for the financial year ending 30 June^(a) (continued)

(\$ million)

	2014-15 <i>revised</i>	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
KEY FISCAL AGGREGATES					
Net operating balance	(1 358.5)	(971.8)	(474.6)	(499.6)	(219.8)
Less: Net acquisition of non-financial assets from transactions	1 769.5	(4 049.6)	3 045.3	2 481.9	1 472.6
Net lending/(borrowing)	(3 127.9)	3 077.8	(3 519.9)	(2 981.5)	(1 692.5)

Source: Department of Treasury and Finance

Note:

(a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.

Table 2.20: State of Victoria balance sheet as at 30 June

	(\$ million)				
	2015	2016	2017	2018	2019
	<i>revised</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Assets					
Financial assets					
Cash and deposits	8 264.8	8 588.3	9 305.5	8 622.4	9 235.0
Receivables	6 529.0	6 337.5	6 569.8	6 727.6	6 879.3
Advances paid, investments, loans and placements	32 016.2	34 159.4	34 541.8	36 288.9	38 283.4
Investments accounted for using equity method	1 555.1	1 555.1	1 555.1	1 555.1	1 555.1
Total financial assets	48 365.2	50 640.3	51 972.3	53 193.9	55 952.9
Non-financial assets					
Inventories	758.5	749.6	715.0	721.0	769.2
Non-financial assets held for sale	129.2	128.5	128.5	128.5	128.5
Land, buildings, infrastructure, plant and equipment	208 784.0	211 620.2	215 390.6	227 573.5	229 580.3
Other non-financial assets	2 506.2	2 419.2	2 382.1	2 250.3	2 157.5
Total non-financial assets	212 177.9	214 917.5	218 616.2	230 673.3	232 635.5
Total assets	260 543.1	265 557.8	270 588.4	283 867.3	288 588.3
Liabilities					
Deposits held and advances received	1 970.5	1 972.1	1 972.9	1 922.0	1 926.6
Payables	8 039.1	7 821.6	7 868.7	7 843.5	7 693.3
Borrowings	51 655.9	49 033.9	51 253.3	52 138.1	53 479.9
Employee benefits	5 953.8	6 202.2	6 455.1	6 708.6	6 961.3
Superannuation	30 801.5	29 843.9	28 703.5	28 091.2	27 058.9
Other provisions	27 376.4	27 957.3	29 319.8	30 783.1	32 317.6
Total liabilities	125 797.3	122 831.0	125 573.3	127 486.5	129 437.6
Net assets	134 745.8	142 726.7	145 015.1	156 380.8	159 150.7
Accumulated surplus/(deficit)	39 625.6	45 363.6	47 085.0	48 896.1	51 195.0
Reserves	95 070.2	97 313.1	97 880.1	107 434.7	107 905.7
Non-controlling interest	50.0	50.0	50.0	50.0	50.0
Net worth	134 745.8	142 726.7	145 015.1	156 380.8	159 150.7
FISCAL AGGREGATES					
Net financial worth	(77 432.1)	(72 190.7)	(73 601.0)	(74 292.6)	(73 484.8)
Net financial liabilities	77 432.1	72 190.7	73 601.0	74 292.6	73 484.8
Net debt	13 345.4	8 258.3	9 378.8	9 148.9	7 888.1

Source: Department of Treasury and Finance

Table 2.21: State of Victoria cash flow statement for the financial year ending^(a)

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Taxes received	18 032.7	18 563.3	19 483.8	19 985.2	20 902.7
Grants	24 433.8	25 525.1	25 941.2	27 366.4	28 464.8
Sales of goods and services ^(b)	15 508.5	15 914.1	16 104.3	16 592.0	17 032.2
Interest received	638.6	734.8	786.9	810.5	817.5
Dividends and income tax equivalent and rate equivalent receipts	778.9	1 079.0	1 234.5	1 215.8	1 100.5
Other receipts	2 342.6	2 062.1	1 880.3	2 050.3	2 096.5
Total receipts	61 735.1	63 878.4	65 431.0	68 020.1	70 414.2
Payments					
Payments for employees	(19 267.4)	(20 651.3)	(21 323.5)	(22 274.4)	(23 156.7)
Superannuation	(2 795.4)	(3 101.4)	(3 232.0)	(2 661.6)	(3 040.2)
Interest paid	(2 828.2)	(2 830.7)	(2 820.0)	(2 863.3)	(2 829.5)
Grants and subsidies	(5 513.0)	(5 836.7)	(6 201.6)	(6 433.0)	(6 734.8)
Goods and services ^(b)	(25 172.2)	(25 290.6)	(25 234.8)	(26 248.4)	(26 837.6)
Other payments	(619.7)	(765.0)	(696.0)	(727.4)	(744.5)
Total payments	(56 195.9)	(58 475.8)	(59 507.9)	(61 208.1)	(63 343.3)
Net cash flows from operating activities	5 539.2	5 402.7	5 923.0	6 812.0	7 070.9
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(6 156.5)	459.1	(7 517.0)	(6 888.2)	(6 901.3)
Net cash flows from investments in financial assets for policy purposes	1 803.7	(40.5)	55.2	5.0	(45.6)
Net cash flows from investment in financial assets for liquidity management purposes	(275.6)	(1 219.1)	444.7	(798.9)	(864.0)
Net cash flows from investing activities	(4 628.4)	(800.5)	(7 017.1)	(7 682.1)	(7 810.9)
Cash flows from financing activities					
Advances received (net)	18.8	1.3	1.4	(53.0)	2.5
Net borrowings	(745.8)	(4 280.3)	1 810.5	230.8	1 341.1
Deposits received (net)	(118.9)	0.3	(0.6)	2.1	2.1
Other financing (net)	..	..	..	..	..
Net cash flows from financing activities	(845.9)	(4 278.7)	1 811.3	179.9	1 345.7
Net increase/(decrease) in cash and cash equivalents	64.9	323.5	717.2	(690.2)	605.7
Cash and cash equivalents at beginning of reporting period	8 199.9	8 264.8	8 588.3	9 305.5	8 615.3
Cash and cash equivalents at end of reporting period^(c)	8 264.8	8 588.3	9 305.5	8 615.3	9 221.0

**Table 2.21: State of Victoria cash flow statement for the financial year ending^(a)
(continued)**

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities	5 539.2	5 402.7	5 923.0	6 812.0	7 070.9
Net cash flows from investments in non-financial assets	(6 156.5)	459.1	(7 517.0)	(6 888.2)	(6 901.3)
Cash surplus/(deficit)	(617.3)	5 861.7	(1 594.0)	(76.2)	169.7

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) Inclusive of goods and services tax.
- (c) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to the overdraft being included on the cash flow statement.

Table 2.22: State of Victoria statement of changes in equity for the financial year ending 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
2014-15 Revised		
Balance at 1 July 2014 ^(a)	45 331.7	50.0
Net result	(1 612.6)	..
Other comprehensive income for the year	(4 093.5)	..
Total equity at end of period	39 625.6	50.0
2015-16 Estimate		
Balance at 1 July 2015	39 625.6	50.0
Net result	4 342.1	..
Other comprehensive income for the year	1 395.9	..
Total equity at end of period	45 363.6	50.0
2016-17 Estimate		
Balance at 1 July 2016	45 363.6	50.0
Net result	690.3	..
Other comprehensive income for the year	1 031.1	..
Total equity at end of period	47 085.0	50.0
2017-18 Estimate		
Balance at 1 July 2017	47 085.0	50.0
Net result	864.4	..
Other comprehensive income for the year	946.7	..
Total equity at end of period	48 896.1	50.0
2018-19 Estimate		
Balance at 1 July 2018	48 896.1	50.0
Net result	1 294.6	..
Other comprehensive income for the year	1 004.4	..
Total equity at end of period	51 195.0	50.0

Source: Department of Treasury and Finance

Note:

(a) The balance at 1 July 2014 has been restated to reflect a change in accounting policy associated with the valuation of school building assets.

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
85 494.8	1 160.5	132 037.1
..	..	(1 612.6)
8 533.3	(118.5)	4 321.3
94 028.1	1 042.0	134 745.8
94 028.1	1 042.0	134 745.8
..	..	4 342.1
2 165.1	77.8	3 638.8
96 193.3	1 119.9	142 726.7
96 193.3	1 119.9	142 726.7
..	..	690.3
510.7	56.3	1 598.1
96 703.9	1 176.1	145 015.1
96 703.9	1 176.1	145 015.1
..	..	864.4
9 493.6	61.0	10 501.3
106 197.5	1 237.2	156 380.8
106 197.5	1 237.2	156 380.8
..	..	1 294.6
414.6	56.4	1 475.3
106 612.1	1 293.6	159 150.7

Table 2.23: Derivation of whole of State GFS cash surplus/(deficit)

	(\$ million)				
	2014-15	2015-16	2016-17	2017-18	2018-19
	<i>revised</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Cash surplus/(deficit)	(617.3)	5 861.7	(1 594.0)	(76.2)	169.7
Convergence differences:					
Acquisitions under finance leases and similar arrangements ^(a)	(36.4)	(1 050.4)	(416.7)	(653.8)	..
GFS cash surplus/(deficit)^(b)	(653.7)	4 811.3	(2 010.7)	(729.9)	169.7

Source: Department of Treasury and Finance

Notes:

- (a) The finance lease acquisition in 2014-15 relates to metropolitan bus contracts. The 2015-16 estimate relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate relates to the new Bendigo Hospital project (stage 1) and the New Schools PPP project (tranche 1). The 2017-18 estimate relates to the Ravenhall Prison project, the New Schools PPP project (tranche 2) and the new Bendigo Hospital project (stage 2).
- (b) Determined in accordance with the ABS GFS manual.

Table 2.24: Net acquisition of non-financial assets – State of Victoria^(a)

	(\$ million)				
	2014-15	2015-16	2016-17	2017-18	2018-19
	<i>revised</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Purchases of non-financial assets less sales of non-financial assets	6 156.5	(459.1)	7 517.0	6 888.2	6 901.3
Less: depreciation	(4 527.4)	(4 761.4)	(5 013.6)	(5 193.0)	(5 567.1)
Plus: other movements in non-financial assets ^(b)	140.3	1 170.8	541.8	786.7	138.5
Total net acquisition of non-financial assets	1 769.5	(4 049.6)	3 045.3	2 481.9	1 472.6

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) The other movements in non-financial assets in 2014-15 predominately relates to the recognition of finance lease arrangements relating to the metropolitan bus contracts and developer contributions to the metropolitan water corporations. The 2015-16 estimate relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate predominately relates to the new Bendigo Hospital project (stage 1) and the New Schools PPP project (tranche 1). The 2017-18 estimate predominately relates to the Ravenhall Prison project, the new Bendigo Hospital project (stage 2), and the New Schools PPP project (tranche 2). The 2018-19 estimate predominately relates to developer contributions to metropolitan water corporations.

VICTORIA'S LOAN COUNCIL ALLOCATION

Under the Uniform Presentation Framework (UPF), Victoria is required to publish the Loan Council Allocation (LCA) estimates. The LCA is a measure of each government's net call on financial markets in a given financial year to meet its budget obligations. The method of public release is the responsibility of each jurisdiction. Victoria discloses its LCA information through the Financial Report for the State of Victoria, Budget Paper No. 5 *Statement of Finances and Budget Update*.

Table 2.25 compares the Victorian 2015-16 LCA nomination (based on 2014-15 *Budget Update* estimates) approved by the Loan Council in April 2015, with the 2015-16 revised LCA based upon 2015-16 *Budget* estimates.

Table 2.25: Loan Council Allocation

(\$ million)

	2015-16 Nomination	Budget estimate
General government cash (surplus)/ deficit	(226.8)	474.9
Public non-financial corporations sector cash (surplus)/deficit	(5 107.6)	(5 857.7)
Non-financial public sector cash (surplus)/deficit ^(a)	(5 433.4)	(5 381.0)
Acquisitions under finance leases and similar arrangements	1 050.4	1 050.4
ABS GFS cash (surplus)/ deficit	(4 383.0)	(4 330.5)
Net cash flows from investments in financial assets for policy purposes ^(b)	(115.9)	(53.1)
Memorandum items ^(c)	401.3	360.5
Loan Council Allocation	(4 267.1)	(3 917.0)
Tolerance limit ^(d)	1 177.5	1 189.6

Notes:

- (a) *The sum of the deficit of the general government and public non-financial corporation sector does not directly equal the non-financial public sector cash deficit due to inter-sectoral transfers, which are netted out in the calculation of the non-financial public sector figure. The non-financial public sector cash deficit excludes finance lease acquisitions.*
- (b) *The ABS GFS cash deficit is adjusted to include in the LCA the impact of net cash flows from investments in financial assets for policy purposes.*
- (c) *The ABS GFS cash deficit is adjusted to include in the LCA the impact of memorandum items, which include certain transactions that have many of the characteristics of public sector borrowings but do not constitute formal borrowings (e.g. operating leases). They also include, where appropriate, transactions that the Loan Council has agreed should not be included in the LCA (e.g. the over/under funding of employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities).*
- (d) *A tolerance limit equal to 2 per cent of total non-financial public sector cash receipt from operating activities applies to the movement between a jurisdiction's LCA nomination and LCA budget estimate (calculated using estimates in the 2014-15 Budget Update), and again between the LCA budget estimate and LCA outcome (calculated using estimates in the 2015-16 Budget). The tolerance limit applying to the movement between Victoria's 2015-16 LCA nomination and its LCA budget estimate is \$1 177.5 million (2 per cent of \$58 877.4 million). The tolerance limit applying to the movement between Victoria's 2015-16 LCA budget estimate and LCA outcome is \$1 189.6 million (2 per cent of \$59 482 million).*

As part of the Loan Council arrangements, the Council has agreed that if at any time a state or territory finds that it is likely to exceed its tolerance limit, in either direction, it is required to provide an explanation to the Council and, in line with the emphasis of increased transparency, to make the explanation public. Victoria's 2015-16 LCA budget estimate (a surplus of \$1.2 billion) did not exceed the tolerance limit established under the LCA nomination process.

In the interest of transparency, the State is required to disclose the details of new infrastructure projects with private sector involvement that are expected to be contracted during the LCA year, and to report the full contingent exposure, if any. Exposure is to be measured by the Government's termination liabilities in a case of private sector default and disclosed as a footnote to, rather than a component of, the LCA. The amount payable will not exceed the fair market value of the project (which is usually calculated by an independent valuer) less any costs incurred by the Government as a result of the default. Listed below are details of the public private partnership projects that are expected to be contracted in the 2015-16 financial year.

New Schools PPP

The New Schools PPP project will deliver 15 new schools in growth communities as a public private partnership under the Partnerships Victoria framework.

The tender process commenced in October 2014 with the release of a request for Expressions of Interest, and the contract is expected to be executed in late 2015. The successful tenderer will design, build, finance and maintain the schools for a term of 25 years, with the State retaining responsibility for delivering educational services.

The new schools are expected to be operational in 2017 and 2018. Once the schools commence operations, the State will begin quarterly payments to the private consortium, the value of which will depend on the attainment of key performance indicators related to ongoing service provision.

CityLink–Tulla widening

The CityLink–Tulla widening project will widen the Western Link section of CityLink (from the West Gate Freeway – Burnley Tunnel to Bulla Road) and Tullamarine Freeway (from Bulla Road to the Melbourne Airport), and introduce a Freeway Management System along this corridor.

The CityLink–Tulla widening is a combination of a Market-Led Proposal from Transurban, the owner and operator of the CityLink toll road concession, and State and Commonwealth Governments contributions to upgrade the Tullamarine Freeway. Transurban is to deliver works on CityLink under a public private partnership (PPP) arrangement where Transurban is responsible for the design, construction, funding, financing, maintenance and operation of the road until the end of the concession. The State is also to deliver certain works on the Tullamarine Freeway.

Under the PPP arrangement, Transurban will pay for costs associated with the project through CityLink tolls, namely an expected uplift in traffic and toll revenue post construction, an extension of the CityLink concession by one year, toll prices remaining escalated at an annual rate of 4.5 per cent for an additional year after 2015 and truck tolls increasing to become consistent with national pricing for trucks on other motorway networks. These CityLink funding sources are also contributing to fund the costs of the State works for the project.

In addition to the funding sourced from CityLink tolls, the State and Commonwealth Governments are also providing \$272.8 million of funding to the State works.

The total estimated capital cost of the project is \$1.28 billion, with the State works on the Tullamarine Freeway estimated to cost \$415 million and Transurban works on CityLink estimated to cost \$867 million.

Design and preliminary development works will commence immediately, with construction on site expected progressively by October 2015. The project is expected to be completed by 2018.

There are no other Partnership Victoria contracts greater than \$5 million that are currently expected to be signed during the 2015-16 financial year.

CHAPTER 3 – DEPARTMENTAL FINANCIAL STATEMENTS

This chapter should be read in conjunction with Budget Paper No. 3 *Service Delivery* which provides an overview of the goods and services to be funded by the Government and delivered by departments in the coming financial year.

The following tables help to outline each department's forecast financial performance:

- the comprehensive operating statement provides details of the department's revenue and expenses on an accrual basis reflecting the cost of providing its outputs;
- the balance sheet shows all controlled assets and liabilities of the department. The difference between these represents the net asset position, which is an indicator of the State's equity interest in the department;
- the cash flow statement shows cash receipts and payments, including the cash impact of operating, financing and investing activities on departmental resources;
- the statement of changes in equity shows the impact of the net result and other comprehensive income items, such as the revaluation of non-financial assets, and owner contributions, on the total equity of the department;
- the administered items statement provides details of the department's administered revenue and expenses, and its administered assets and liabilities. By their nature, most administered expenses are paid in cash in the year in which the item is recognised. Therefore, an administered departmental cash flow statement is not provided; and
- payments on behalf of the State (where applicable) provides details of payments made by the department on behalf of the State Government, not directly reflecting the operations of the department.

It should be noted that machinery of government changes have been reflected in the departmental financial statements effective from 1 January 2015.

In all tables, figures for 2013-14 actual and 2014-15 budget reflect the operations of departments as they existed prior to machinery of government changes effective from 1 January 2015.

DEPARTMENT OF ECONOMIC DEVELOPMENT, JOBS, TRANSPORT AND RESOURCES

Operating performance

The Department of Economic Development, Jobs, Transport and Resources is expected to report a net result from transactions of \$244.2 million for the 2015-16 budget. This is largely the result of Commonwealth and other funding for road projects being recognised as appropriation income but applied for asset investment (capital) purposes.

Total budgeted income and expenses for 2015-16 also includes funding for initiatives announced in the *2015-16 Budget*, including:

- Premier's Jobs and Investment Fund (including the 'start-up' initiative);
- Regional Jobs and Infrastructure Fund;
- Future Industries Fund; and
- Bus Package.

Balance sheet

The Department's net asset position is estimated to increase by \$837.3 million in 2015-16 compared to the 2014-15 revised budget. This comprises an estimated increase in total assets of \$817.3 million and an estimated decrease in total liabilities of \$20 million.

Major movements in total assets include the construction of new roads and public transport infrastructure, as highlighted below.

Investing and financing

Cash flows from operating activities are consistent with the trends discussed above.

The expected investments in property, plant and equipment in 2015-16 reflect cash flows for existing road, public transport and related asset projects and new initiatives announced in the *2015-16 Budget*, including:

- Melbourne Metro Rail Project;
- New E-Class trams;
- X'Trapolis trains – five six-car sets;
- Life extension for Comeng trains;
- Bridge strengthening for freight efficiency; and
- M80 Upgrade – EJ Whitten Bridge to Sunshine Avenue.

Administered items statement

Transactions administered by the Department on behalf of the State in 2015-16 include the collection of road and public transport regulatory fees and fines revenues. The estimates also include the progressive recognition of concession fees paid in advance by Transurban under the CityLink contract. The administered appropriation and interest expense for 2015-16 includes the quarterly service payments associated with the Melbourne Exhibition and Convention Centre. The Department has previously recognised an administered liability for the lease payments and a loan receivable from the Melbourne Convention and Exhibition Trust.

Administered expenses are affected by the items outlined above.

Table 3.1.1: Comprehensive operating statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	712.2	786.2	3 867.6	7 177.2
Special appropriations	..	..	1.4	5.1
Interest	6.8	10.4	5.1	14.6
Sale of goods and services	173.6	188.3	337.6	510.5
Grants	85.9	3.0	230.6	319.0
Fair value of assets and services received free of charge or for nominal consideration	0.5	..	91.0	56.5
Other income	119.6	71.5	170.2	153.4
Total income from transactions	1 098.6	1 059.4	4 703.6	8 236.3
Expenses from transactions				
Employee benefits	189.9	198.0	521.1	831.0
Depreciation	31.3	36.2	411.4	817.1
Interest expense	0.3	..	76.9	150.3
Grants and other transfers	449.0	440.2	1 656.9	2 831.8
Capital asset charge	9.8	10.6	115.2	215.5
Other operating expenses	383.7	405.7	1 996.1	3 146.4
Total expenses from transactions	1 064.1	1 090.8	4 777.5	7 992.1
Net result from transactions (net operating balance)	34.5	(31.4)	(73.9)	244.2
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(5.1)	..	(4.0)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(0.3)	(0.2)	0.3	(0.1)
Other gains/(losses) from economic flows	(0.1)	..	5.3	..
Total other economic flows included in net result	(5.4)	(0.2)	1.6	(0.1)
Net result	29.0	(31.6)	(72.3)	244.1
Other economic flows – other comprehensive income				
Asset revaluation reserve	(5.3)	..	4 828.5	62.9
Other	5.2	2.5	72.3	5.6
Total other economic flows – other comprehensive income	(0.1)	2.5	4 900.8	68.5
Comprehensive result	28.9	(29.1)	4 828.5	312.7

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of State Development, Business and Innovation included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.1.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2014 actual ^(a)	2015 budget ^{(a)(b)}	2015 revised ^(c)	2016 budget ^(c)
Assets				
Financial assets				
Cash and deposits	416.8	396.6	1 850.8	2 161.3
Receivables	158.8	165.4	1 241.9	1 328.5
Other financial assets	28.7	27.6	121.7	119.7
Investments accounted for using equity method	35.0	35.0	35.0	35.0
Total financial assets	639.3	624.6	3 249.4	3 644.5
Non-financial assets				
Inventories	10.2	3.1	14.2	14.3
Property, plant and equipment	597.6	257.7	59 525.8	59 959.1
Biological assets	..	..	1.8	1.8
Investment properties	..	..	67.7	67.7
Intangible assets	40.9	40.5	191.6	179.3
Other	36.8	37.1	32.7	33.9
Total non-financial assets	685.5	338.5	59 834.0	60 256.2
Total assets	1 324.8	963.0	63 083.4	63 900.7
Liabilities				
Payables	125.0	125.6	1 270.7	1 260.0
Borrowings	3.5	3.5	1 560.9	1 525.9
Provisions	50.4	50.4	624.6	650.4
Total liabilities	178.9	179.5	3 456.2	3 436.2
Net assets	1 145.9	783.5	59 627.2	60 464.5
Equity				
Accumulated surplus/(deficit)	188.9	159.8	16 336.0	16 568.8
Reserves	25.6	25.6	23 288.8	23 368.7
Contributed capital	931.4	598.0	20 002.4	20 527.0
Total equity	1 145.9	783.5	59 627.2	60 464.5

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the former Department of State Development, Business and Innovation included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balance.
- (c) The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.1.3: Statement of cash flows

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government ^(c)	696.5	779.5	3 873.0	7 102.8
Receipts from other entities	107.5	25.4	459.6	857.1
Interest received	6.4	10.4	5.0	14.6
Other receipts	278.9	237.4	298.6	120.1
Total receipts	1 089.4	1 052.8	4 636.2	8 094.6
Payments				
Payments of grants and other transfers	(449.0)	(440.2)	(1 628.0)	(2 831.8)
Payments to suppliers and employees	(563.9)	(603.4)	(2 302.4)	(3 922.6)
Capital asset charge	(9.8)	(10.6)	(115.2)	(215.5)
Interest and other costs of finance paid	(0.3)	..	(77.4)	(151.0)
Total payments	(1 023.1)	(1 054.3)	(4 123.0)	(7 121.0)
Net cash flows from/(used in) operating activities	66.3	(1.5)	513.2	973.6
Cash flows from investing activities				
Net investment ^(c)	9.7	1.1	(5.7)	3.2
Payments for non-financial assets	(50.1)	(136.4)	(1 155.5)	(2 193.7)
Proceeds from sale of non-financial assets	1.0	..	7.4	10.0
Net loans to other parties	..	0.9	(3.8)	0.9
Net (purchase)/disposal of investments – policy purposes	..	..	3.0	..
Net cash flow from/(used in) investing activities	(39.4)	(134.4)	(1 154.6)	(2 179.7)
Cash flows from financing activities				
Owner contributions by State Government	45.7	116.7	1 990.2	1 554.1
Repayment of finance leases	(0.1)	..	(18.6)	(35.0)
Net borrowings	2.0	(1.0)	103.9	(2.5)
Net cash flows from/(used in) financing activities	47.7	115.7	2 075.5	1 516.6
Net increase/(decrease) in cash and cash equivalents	74.5	(20.2)	1 434.0	310.5
Cash and cash equivalents at the beginning of the financial year	342.3	416.8	416.8	1 850.8
Cash and cash equivalents at the end of the financial year	416.8	396.6	1 850.8	2 161.3

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of State Development, Business and Innovation included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.
- (c) Figures have been restated to better reflect the nature of related cash flows.

Table 3.1.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2013	154.7	904.4	31.0	..	1 090.1
Comprehensive result	34.2	..	(5.3)	..	28.9
Transactions with owners in their capacity as owners	..	27.0	..	..	27.0
Closing balance 30 June 2014 (actual)^(a)	188.9	931.4	25.6	..	1 145.9
Comprehensive result	(29.1)	..	..	..	(29.1)
Transactions with owners in their capacity as owners	..	(333.3)	..	..	(333.3)
Closing balance 30 June 2015 (budget)^{(a)(b)}	159.8	598.0	25.6	..	783.5
Comprehensive result	(46.1)	..	4 828.5	46.1	4 828.5
Transactions with owners in their capacity as owners	16 193.2	19 071.0	18 388.5	..	53 652.7
Closing balance 30 June 2015 (revised)^(c)	16 336.0	20 002.4	23 242.7	46.1	59 627.2
Comprehensive result	232.8	..	62.9	17.0	312.7
Transactions with owners in their capacity as owners	..	524.6	..	..	524.6
Closing balance 30 June 2016 (budget)^(c)	16 568.8	20 527.0	23 305.6	63.1	60 464.5

Sources: *Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance*

Notes:

- (a) *Figures for 2014 actual and 2015 budget reflect the operations of the former Department of State Development, Business and Innovation included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.*
- (b) *The 2015 budget figures have been restated to reflect the 2014 actual closing balance.*
- (c) *The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.*

Table 3.1.5: Administered items statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^{(a)(b)}	2014-15 revised ^(c)	2015-16 budget ^(c)
Administered income				
Appropriations – Payments made on behalf of the State	60.9	63.7	65.2	66.8
Sale of goods and services	2.8	3.2	141.1	285.3
Grants	0.4	6.3	..	..
Interest	10.4	14.3	10.4	10.5
Other income	58.2	55.3	1 166.6	2 412.2
Total administered income	132.7	142.8	1 383.3	2 774.8
Administered expenses				
Expenses on behalf of the State	27.7	..	35.7	17.0
Grants and other transfers	5.0	8.0	5.8	6.1
Payments into the Consolidated Fund	89.7	62.6	1 233.5	2 655.6
Interest expense	40.7	41.7	55.4	72.8
Total administered expenses	163.0	112.3	1 330.3	2 751.5
Income less expenses	(30.4)	30.5	53.1	23.3
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	20.7	..	36.2	1.4
Other gains/(losses) from other economic flows	..	(0.1)	(7.8)	(15.8)
Total other economic flows included in net result	20.7	(0.1)	28.4	(14.4)
Net result	(9.6)	30.4	81.5	8.9
Other economic flows – other comprehensive income				
Other	..	..	(76.7)	..
Total other economic flows – other comprehensive income	..	..	(76.7)	..
Comprehensive result	(9.6)	30.4	4.8	8.9
Administered assets				
Cash and deposits	0.5	0.7	10.1	10.3
Receivables	343.9	358.2	408.3	411.0
Other financial assets	3.1	3.1	3.1	3.1
Total administered assets	347.5	362.1	421.5	424.5
Administered liabilities				
Payables	87.3	85.5	457.5	454.7
Borrowings	460.4	446.4	458.4	455.3
Total administered liabilities	547.7	531.8	916.0	910.0
Net assets	(200.2)	(169.8)	(494.4)	(485.5)

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of State Development, Business and Innovation included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balance.
- (c) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.1.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2014-15 budget^(a)</i>	<i>2014-15 revised^(b)</i>	<i>2015-16 budget^(b)</i>
Finance lease interest	41.7	40.7	40.5
Grants to public non-financial corporations	8.0	5.1	5.2
Finance lease liability	14.0	1.9	3.1
Anzac Day administered trust	..	0.9	0.9
Operating supplies and consumables ^(c)	..	16.7	17.0
Total	63.7	65.2	66.8

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

- (a) *The 2014-15 budget reflects the operations of the former Department of State Development, Business and Innovation included in the 2014-15 Budget, which does not include the impact of machinery of government changes effective from 1 January 2015.*
- (b) *The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.*
- (c) *The 2014-15 revised and 2015-16 budget reflect an account reallocation from finance lease liability to operating supplies and consumables to better reflect the nature of this expenditure.*

DEPARTMENT OF EDUCATION AND TRAINING

Operating performance

The Department of Education and Training is expected to have a net result from transactions of \$116 million for 2015-16.

The operating statement shows an increase in total income from transactions to \$12 816 million in 2015-16, compared to the 2014-15 revised budget of \$12 343 million (3.8 per cent). This is primarily a result of indexation on existing funding and additional funding for initiatives including:

- School enrolment based funding for the 2015 calendar year;
- TAFE Rescue Fund;
- Camps, Sports and Excursions Fund; and
- Asbestos removal program.

Additional Education State funding will be allocated from central provisions to the Department of Education and Training for the 2016 school year.

Total operating expenses are budgeted to increase by \$392 million (3.2 per cent) between the 2014-15 revised budget and the 2015-16 budget in line with the increase in revenue for the year.

Balance sheet

The Department's net asset position is expected to increase by \$177 million compared to the 2014-15 revised budget, reflecting a projected increase in total assets of \$205 million and an increase in total liabilities of \$28 million.

The expected increase in total assets from the 2014-15 revised budget to the 2015-16 budget is primarily attributable to an increase in property, plant and equipment under the State's continued investment for major upgrades in schools and TAFEs, and the construction of new schools.

Investing and financing

Cash flows from operating activities are consistent with the trends discussed in the statement of operating performance.

Cash flows from investing activities primarily reflect the purchase of property, plant and equipment for the continued asset commitment in the school and TAFE sectors, including:

- School modernisations;
- Land acquisition;
- Relocatable classroom program; and
- TAFE Rescue Fund.

Administered items statement

Total income from transactions administered by the Department on behalf of the State is expected to increase by \$169 million in 2015-16 compared to the 2014-15 revised budget. This is primarily due to an increase in recurrent Commonwealth funding provided to the non-government school sector under the School Funding Reform framework as part of the Commonwealth's *Australian Education Act 2013*.

Total administered expenses are expected to increase in line with the anticipated increase in administered income.

Table 3.2.1: Comprehensive operating statement

(\$ million)

	2013-14 actual ^{(a)(b)}	2014-15 budget ^{(a)(b)}	2014-15 revised	2015-16 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	10 516.9	10 817.9	10 979.8	11 407.8
Special appropriations	0.2	13.0	13.0	13.0
Interest	32.3	35.2	30.1	29.1
Sale of goods and services	691.1	687.6	710.6	764.5
Grants	103.6	20.1	26.5	8.4
Other income	545.2	577.4	582.8	593.5
Total income from transactions	11 889.3	12 151.3	12 342.9	12 816.2
Expenses from transactions				
Employee benefits	6 083.8	6 163.8	6 159.6	6 443.9
Depreciation	423.5	406.5	417.7	420.1
Interest expense	15.8	14.8	16.2	15.1
Grants and other transfers	835.7	840.9	845.7	899.3
Capital asset charge	1 266.3	1 287.1	1 287.1	1 291.7
Other operating expenses	3 151.7	3 393.9	3 581.5	3 629.8
Total expenses from transactions	11 776.8	12 107.0	12 307.8	12 699.8
Net result from transactions	112.5	44.3	35.0	116.4
(net operating balance)				
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(846.2)	13.3	(29.5)	(0.3)
Net gain/(loss) on financial instruments and statutory receivables/payables	(5.1)	(0.3)	(1.0)	(1.2)
Other gains/(losses) from economic flows	(8.6)	(2.0)	(1.0)	(0.7)
Total other economic flows included in net result	(859.9)	11.0	(31.4)	(2.2)
Net result	(747.4)	55.3	3.6	114.2
Other economic flows – other comprehensive income				
Asset revaluation reserve	(416.0)	(51.0)	(10.6)	5.8
Other	364.3	(2.7)	20.6	..
Total other economic flows – other comprehensive income	(51.7)	(53.8)	10.0	5.8
Comprehensive result	(799.1)	1.5	13.6	120.0

Sources: Departments of Education and Training, and Treasury and Finance

Note:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Education and Early Childhood Development included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) Figures for 2013-14 actual and 2014-15 budget have been restated to incorporate a change in accounting policy for the fair value of fixed assets.

Table 3.2.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	2014 actual ^{(a)(b)}	2015 budget ^{(a)(b)(c)}	2015 revised	2016 budget
Assets				
Financial assets				
Cash and deposits	801.6	796.0	858.0	882.6
Receivables	1 321.5	1 351.7	1 524.8	1 614.9
Other financial assets	424.5	437.1	359.0	380.0
Total financial assets	2 547.6	2 584.7	2 741.9	2 877.5
Non-financial assets				
Inventories	3.8	4.9	2.4	2.3
Non-financial assets classified as held for sale including disposal group assets	121.9	121.9	111.7	111.7
Property, plant and equipment	18 130.7	18 189.8	18 073.6	18 136.0
Biological assets	3.1	3.0	2.2	1.8
Investment properties	31.0	35.5	33.0	33.0
Intangible assets	108.6	108.0	78.0	86.4
Other	29.8	29.4	29.2	28.4
Total non-financial assets	18 428.8	18 492.5	18 329.9	18 399.5
Total assets	20 976.4	21 077.2	21 071.8	21 277.0
Liabilities				
Payables	605.9	609.2	612.0	598.6
Borrowings	220.5	221.8	202.0	197.3
Provisions	1 423.1	1 466.4	1 455.2	1 501.4
Total liabilities	2 249.5	2 297.4	2 269.3	2 297.2
Net assets	18 726.9	18 779.8	18 802.5	18 979.7
Equity				
Accumulated surplus/(deficit)	1 880.3	1 935.5	1 903.7	2 017.9
Reserves	7 563.6	7 509.8	7 553.7	7 559.5
Contributed capital	9 283.1	9 334.4	9 345.1	9 402.3
Total equity	18 726.9	18 779.8	18 802.5	18 979.7

Sources: Departments of Education and Training, and Treasury and Finance

Note:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the former Department of Education and Early Childhood Development included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) Figures for 2014 actual and 2015 budget have been restated to incorporate a change in accounting policy for the fair value of fixed assets.
- (c) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.

Table 3.2.3: Statement of cash flows

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised	2015-16 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(b)	10 447.5	10 817.0	10 782.4	11 359.0
Receipts from other entities	820.8	676.8	609.5	688.1
Interest received	32.3	35.2	29.7	29.3
Other receipts	464.8	587.8	703.9	640.2
Total receipts	11 765.5	12 116.9	12 125.6	12 716.6
Payments				
Payments of grants and other transfers	(802.2)	(837.1)	(841.9)	(897.2)
Payments to suppliers and employees	(9 380.5)	(9 513.3)	(9 708.9)	(10 024.0)
Capital asset charge	(1 266.3)	(1 287.1)	(1 287.1)	(1 291.7)
Interest and other costs of finance paid	(15.8)	(14.8)	(16.2)	(15.1)
Total payments	(11 464.8)	(11 652.4)	(11 854.1)	(12 228.0)
Net cash flows from/(used in) operating activities	300.7	464.5	271.5	488.6
Cash flows from investing activities				
Net investment ^(b)	(66.8)	(12.6)	65.5	(21.0)
Payments for non-financial assets	(791.6)	(527.7)	(370.4)	(487.6)
Proceeds from sale of non-financial assets	20.6	18.0	11.8	2.4
Net loans to other parties	5.7	..	(3.3)	3.5
Net (purchase)/disposal of investments – policy purposes	(0.2)	..	..	..
Net cash flow from/(used in) investing activities	(832.4)	(522.4)	(296.5)	(502.6)
Cash flows from financing activities				
Owner contributions by State Government	437.6	51.3	81.8	57.2
Repayment of finance leases	(4.5)	(4.2)	(4.3)	(4.8)
Net borrowings	26.1	5.2	3.9	(13.8)
Net cash flows from/(used in) financing activities	459.3	52.2	81.5	38.7
Net increase/(decrease) in cash and cash equivalents	(72.4)	(5.7)	56.4	24.6
Cash and cash equivalents at the beginning of the financial year	874.1	801.6	801.6	858.0
Cash and cash equivalents at the end of the financial year	801.6	796.0	858.0	882.6

Sources: Departments of Education and Training, and Treasury and Finance

Note:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Education and Early Childhood Development included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) Figures have been restated to better reflect the nature of related cash flows.

Table 3.2.4: Statement of changes in equity

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owner	Revaluation surplus	Other reserves	Total equity
Opening balance 1 July 2013^(a)	2 259.6	9 312.1	7 962.8	20.6	19 555.0
Comprehensive result	(379.3)	..	(416.0)	(3.8)	(799.1)
Transactions with owners in their capacity as owners	..	(29.0)	..	..	(29.0)
Closing balance 30 June 2014 (actual)^{(a)(b)}	1 880.3	9 283.1	7 546.8	16.8	18 726.9
Comprehensive result	55.3	..	(51.0)	(2.7)	1.5
Transactions with owners in their capacity as owners	..	51.4	..	..	51.4
Closing balance 30 June 2015 (budget)^{(a)(b)(c)}	1 935.5	9 334.5	7 495.8	14.1	18 779.8
Comprehensive result	23.5	..	(10.6)	0.8	13.6
Transactions with owners in their capacity as owners	..	62.0	..	..	62.0
Closing balance 30 June 2015 (revised)	1 903.7	9 345.1	7 536.2	17.5	18 802.5
Comprehensive result	114.2	..	5.8	..	120.0
Transactions with owners in their capacity as owners	..	57.2	..	..	57.2
Closing balance 30 June 2016 (budget)	2 017.9	9 402.3	7 542.0	17.5	18 979.7

Sources: Departments of Education and Training, and Treasury and Finance

Note:

- (a) Figures for 2014 actual and 2015 budget have been restated to incorporate a change in accounting policy for the fair value of fixed assets.
- (b) Figures for 2014 actual and 2015 budget reflect the operations of the former Department of Education and Early Childhood Development included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (c) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.

Table 3.2.5: Administered items statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised	2015-16 budget
Administered income				
Sale of goods and services	2.6	2.8	2.8	3.0
Grants	2 444.8	2 573.0	2 680.5	2 849.7
Interest	0.1	0.1	0.1	0.1
Other income	6.7	1.8	1.8	1.8
Total administered income	2 454.2	2 577.7	2 685.2	2 854.5
Administered expenses				
Expenses on behalf of the State	0.9	..	..	..
Grants and other transfers	2 446.3	2 573.2	2 680.7	2 849.8
Payments into the Consolidated Fund	(12.5)	37.5	37.5	49.9
Total administered expenses	2 434.6	2 610.6	2 718.2	2 899.7
Income less expenses	19.6	(33.0)	(33.0)	(45.2)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(18.4)	33.0	33.0	45.2
Total other economic flows included in net result	(18.4)	33.0	33.0	45.2
Net result	1.2	..	..	..
Comprehensive result	1.2	..	..	..
Administered assets				
Receivables	4.8	4.8	4.8	4.9
Other financial assets	2.6	2.6	2.6	2.6
Property, plant and equipment	8.3	8.3	8.3	8.3
Total administered assets	15.6	15.7	15.7	15.7
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	15.6	15.7	15.7	15.7

Sources: Departments of Education and Training, and Treasury and Finance

Note:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Education and Early Childhood Development included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balances.

DEPARTMENT OF ENVIRONMENT, LAND, WATER AND PLANNING

Operating performance

The Department of Environment, Land, Water and Planning is expected to report an estimated net deficit of \$16.7 million for the 2015-16 budget.

The variances from the 2014-15 revised budget to the 2015-16 budget reflect the impact of machinery of government changes.

Balance sheet

The Department's net asset position is estimated to decrease by \$21.3 million in 2015-16. This primarily reflects a decrease in non-financial assets and the result of machinery of government changes offset by funding of new asset initiatives.

Significant capital expenditure projects in the *2015-16 Budget* include:

- Portarlington Safe Harbour;
- Zoos Victoria: Predator Prey Precinct; and
- Hazelwood Mine Fire Enquiry: Rapid response air monitoring.

Investing and financing

The Department is anticipating a reduction of \$112.3 million in its net cash position in 2015-16 mainly resulting from changed responsibilities under the machinery of government changes.

Cash flows for investing activities include payments for property, plant and equipment of \$60.8 million, reflecting the Government's continued investment in the environment, land, water and planning sectors.

Administered items statement

The Department administers certain expenses on behalf of the State relating to Victoria's share of Murray Darling Basin Authority operating costs.

Commonwealth funding reflected as grants includes a range of Commonwealth own-purpose payments for:

- Coal Seam Gas – Phase 1 Bioregional Assessments;
- Cleaning up the Yarra – Installation of Litter Traps; and
- National Landcare Programme Regional Allocations.

Other than Commonwealth grants, the Department's administered income represents contributions to the Victorian Desalination Plant project, the Goulburn-Murray Water Connections project, and environment contributions.

Table 3.3.1: Comprehensive operating statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	1 396.2	1 463.6	1 242.5	1 172.3
Special appropriations	2.0	..	108.8	14.1
Interest	16.7	18.4	17.8	21.6
Sale of goods and services	84.3	82.7	69.1	73.3
Grants	54.1	27.5	216.7	259.9
Other income	332.3	334.5	270.7	267.9
Total income from transactions	1 885.6	1 926.7	1 925.6	1 809.2
Expenses from transactions				
Employee benefits	411.9	420.9	401.5	379.1
Depreciation	74.0	86.3	68.3	55.1
Interest expense	24.0	19.1	11.3	1.3
Grants and other transfers	458.4	641.3	524.4	672.6
Capital asset charge	112.3	114.4	102.4	91.4
Other operating expenses	627.2	544.5	645.0	626.3
Total expenses from transactions	1 707.8	1 826.5	1 752.8	1 825.8
Net result from transactions	177.8	100.2	172.8	(16.7)
(net operating balance)				
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(3.7)	0.1	0.7	2.2
Net gain/(loss) on financial instruments and statutory receivables/payables	(3.8)	(1.0)	(0.9)	(1.0)
Other gains/(losses) from economic flows	(1.2)	..	(2.8)	..
Total other economic flows included in net result	(8.7)	(0.9)	(3.0)	1.2
Net result	169.1	99.3	169.7	(15.5)
Other economic flows – other comprehensive income				
Asset revaluation reserve	1.0	0.5	..	..
Other	13.2	..	53.9	..
Total other economic flows – other comprehensive income	14.2	0.5	53.9	..
Comprehensive result	183.3	99.8	223.7	(15.5)

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Environment and Primary Industries included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.3.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2014 actual ^(a)	2015 budget ^{(a)(b)}	2015 revised ^(c)	2016 budget ^(c)
Assets				
Financial assets				
Cash and deposits	337.4	335.3	405.7	293.4
Receivables	292.5	341.8	268.1	302.2
Other financial assets	395.7	455.7	450.4	525.0
Investments accounted for using equity method	..	..	9.0	9.0
Total financial assets	1 025.6	1 132.8	1 133.2	1 129.7
Non-financial assets				
Inventories	15.0	19.4	18.2	21.7
Non-financial assets classified as held for sale including disposal group assets	0.8	0.8	0.8	0.8
Property, plant and equipment	8 059.7	8 062.0	7 702.2	7 691.2
Biological assets	1.8	1.8	..	..
Intangible assets	71.1	74.2	46.1	44.8
Other	87.4	87.4	122.4	104.1
Total non-financial assets	8 235.8	8 245.7	7 889.7	7 862.6
Total assets	9 261.4	9 378.5	9 022.8	8 992.2
Liabilities				
Payables	208.8	202.1	135.8	134.1
Borrowings	288.7	280.1	20.6	12.6
Provisions	174.6	177.7	148.4	148.9
Total liabilities	672.1	659.9	304.8	295.6
Net assets	8 589.3	8 718.6	8 718.0	8 696.7
Equity				
Accumulated surplus/(deficit)	529.2	628.5	730.8	715.4
Reserves	5 654.0	5 654.5	5 654.0	5 654.0
Contributed capital	2 406.1	2 435.6	2 333.2	2 327.3
Total equity	8 589.3	8 718.6	8 718.0	8 696.7

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Notes:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the former Department of Environment and Primary Industries included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.
- (c) The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.3.3: Statement of cash flows

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government ^(c)	1 412.4	1 451.9	1 359.8	1 177.0
Receipts from other entities	485.0	397.6	571.7	638.0
Interest received	17.7	18.4	17.8	21.6
Other receipts	18.7	13.4	7.6	11.8
Total receipts	1 933.8	1 881.3	1 956.9	1 848.5
Payments				
Payments of grants and other transfers	(472.1)	(641.3)	(583.6)	(741.7)
Payments to suppliers and employees	(1 130.3)	(973.5)	(1 088.5)	(992.1)
Capital asset charge	(112.3)	(114.4)	(102.4)	(91.4)
Interest and other costs of finance paid	(24.0)	(18.8)	(11.0)	(1.0)
Total payments	(1 738.6)	(1 748.1)	(1 785.5)	(1 826.2)
Net cash flows from/(used in) operating activities	195.1	133.2	171.4	22.3
Cash flows from investing activities				
Net investment ^(c)	(114.6)	(60.0)	(58.0)	(74.7)
Payments for non-financial assets	(139.1)	(97.9)	(164.7)	(60.8)
Proceeds from sale of non-financial assets	12.5	..	0.7	2.2
Net (purchase)/disposal of investments – policy purposes	..	..	(9.0)	..
Net cash flow from/(used in) investing activities	(241.2)	(157.9)	(231.1)	(133.2)
Cash flows from financing activities				
Owner contributions by State Government	57.0	36.2	142.3	12.0
Repayment of finance leases	(5.1)	(0.1)	..	..
Net borrowings	(7.3)	(13.5)	(14.3)	(13.4)
Net cash flows from/(used in) financing activities	44.5	22.6	128.0	(1.4)
Net increase/(decrease) in cash and cash equivalents	(1.5)	(2.1)	68.3	(112.3)
Cash and cash equivalents at the beginning of the financial year	338.9	337.4	337.4	405.7
Cash and cash equivalents at the end of the financial year	337.4	335.3	405.7	293.4

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Environment and Primary Industries included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.
- (c) Figures have been restated to better reflect the nature of related cash flows.

Table 3.3.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2013	346.8	2 462.0	5 653.0	..	8 461.9
Comprehensive result	182.3	..	1.0	..	183.3
Transactions with owners in their capacity as owners	..	(55.9)	..	..	(55.9)
Closing balance 30 June 2014 (actual)^(a)	529.2	2 406.1	5 654.0	..	8 589.3
Comprehensive result	99.3	..	0.5	..	99.8
Transactions with owners in their capacity as owners	..	29.4	..	..	29.4
Closing balance 30 June 2015 (budget)^{(a)(b)}	628.5	2 435.6	5 654.5	..	8 718.6
Comprehensive result	223.7	..	..	..	223.7
Transactions with owners in their capacity as owners	(22.0)	(72.9)	..	..	(95.0)
Closing balance 30 June 2015 (revised)^(c)	730.8	2 333.2	5 654.0	..	8 718.0
Comprehensive result	(15.5)	..	..	..	(15.5)
Transactions with owners in their capacity as owners	..	(5.9)	..	..	(5.9)
Closing balance 30 June 2016 (budget)^(c)	715.4	2 327.3	5 654.0	..	8 696.7

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Notes:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the former Department of Environment and Primary Industries included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.
- (c) The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.3.5: Administered items statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^{(a)(b)}	2014-15 revised ^(c)	2015-16 budget ^(c)
Administered income				
Appropriations – payments made on behalf of the State	657.6	696.7	649.1	650.5
Fair value of assets and services received free of charge or for nominal consideration	19.7	..	..	..
Sale of goods and services	241.3	222.8	311.7	417.1
Grants	45.6	24.9	307.1	573.3
Interest	476.1	478.3	466.8	462.7
Other income	121.8	142.4	194.8	202.1
Total administered income	1 562.2	1 565.0	1 929.6	2 305.7
Administered expenses				
Expenses on behalf of the State	104.3	126.8	115.0	121.6
Grants and other transfers	28.3	30.7	294.1	560.7
Payments into the Consolidated Fund	985.1	978.8	991.2	1 108.1
Interest and Depreciation expense	483.3	478.3	467.0	462.9
Total administered expenses	1 601.0	1 614.5	1 867.3	2 253.3
Income less expenses	(38.8)	(49.5)	62.3	52.4
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(19.0)	42.8	(23.3)	(1.2)
Other gains/(losses) from other economic flows	0.2	..	..	..
Total other economic flows included in net result	(18.8)	42.8	(23.3)	(1.3)
Net result	(57.6)	(6.7)	39.0	51.2
Other economic flows – other comprehensive income				
Asset revaluation reserve	(13.3)	25.8	..	..
Other	17.7	..	(23.7)	..
Total other economic flows – other comprehensive income	4.4	25.8	(23.7)	..
Comprehensive result	(53.2)	19.1	15.3	51.2
Administered assets				
Cash and deposits	1.5	1.4	1.4	1.4
Receivables	4 339.4	4 277.0	4 302.4	4 254.0
Other financial assets	0.1	0.1	0.1	0.1
Other	12.7	12.7	12.7	12.7
Property, plant and equipment	688.0	713.8	688.0	688.0
Intangible assets	103.1	103.2	103.1	103.1
Total administered assets	5 144.8	5 108.2	5 107.7	5 059.4

Table 3.3.5: Administered items statement (continued)

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^{(a)(b)}	2014-15 revised ^(c)	2015-16 budget ^(c)
Administered liabilities				
Payables	122.0	121.8	98.3	98.2
Borrowings	4 264.8	4 203.9	4 227.6	4 183.4
Total administered liabilities	4 386.8	4 325.7	4 326.0	4 281.5
Net assets	758.0	782.5	781.8	777.9

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Environment and Primary Industries included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balances.
- (c) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.3.6: Payments made on behalf of the State

(\$ million)

Accounts	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Murray-Darling Basin contribution	30.7	18.0	30.5
Victorian Desalination Project finance lease liability	666.0	631.1	620.0
Total	696.7	649.1	650.5

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Notes:

- (a) The 2014-15 budget reflects the operations of the former Department of Environment and Primary Industries included in the 2014-15 Budget, which does not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Operating performance

The Department of Health and Human Services is expected to report a net result from transactions of \$99 million in 2015-16.

The operating statement shows an increase in income of \$3 222 million between the 2014-15 revised budget and the 2015-16 budget. This is due to the:

- impact of machinery of government changes;
- funding of new initiatives announced in this budget, including Meeting hospital services demand, Hospital Beds Rescue Fund, More support for people with disabilities and their families, Child FIRST and family services, and Child protection demand;
- continuing implementation of existing initiatives;
- additional funding for anticipated cost increases in 2015-16; and
- additional Commonwealth funding available under the National Health Reform Agreement.

Operating expenses are budgeted to increase by \$3 075 million between the 2014-15 revised budget and 2015-16 budget, reflecting the increases in income outlined above.

Balance sheet

The Department's net asset position is estimated to improve by \$331 million between the 2014-15 revised budget and the 2015-16 budget, reflecting an increase in total assets of \$1 498 million, and an increase in total liabilities of \$1 166 million.

The estimated increase in assets is mainly due to an increase in assets reflecting the Government's commitment to build new sports and health facilities and other health infrastructure across the State, based on modern service models and needs for the future. New asset funding included in the *2015-16 Budget* includes:

- Western Women's and Children's Hospital;
- Werribee Mercy Hospital – acute expansion;
- Victorian Heart Hospital – planning and early works; and
- various upgrades and expansions across several health, sporting and community services facilities.

The movement in liabilities of \$1 166 million between the 2014-15 revised budget and the 2015-16 budget is largely due to increases in finance lease related to the Victorian Comprehensive Cancer Centre.

Investing and financing

Cash flows from operating activities are consistent with the trends discussed in the statement of operating performance.

Cash flows from investing activities include payments for property, plant and equipment reflecting the Government's continued asset investment in the health and community services sectors.

Administered items statement

Revenue administered by the Department on behalf of the State and third parties (including the National Health Funding Pool) is forecast to increase by \$342 million from the 2014-15 revised budget to the 2015-16 budget.

Table 3.4.1: Comprehensive operating statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	8 069.8	8 348.3	10 023.8	12 870.2
Special appropriations	1 280.8	1 192.7	1 296.0	1 360.9
Interest	66.7	67.8	65.1	68.2
Sale of goods and services	1 702.0	1 693.5	1 732.3	1 796.1
Grants	4 195.4	4 487.3	4 599.7	4 861.6
Other income	556.6	395.8	485.9	468.0
Total income from transactions	15 871.3	16 185.5	18 202.8	21 425.1
Expenses from transactions				
Employee benefits	8 192.1	8 337.1	8 855.9	9 804.4
Depreciation	741.5	893.0	830.3	880.3
Interest expense	85.8	76.2	98.4	102.9
Grants and other transfers	838.7	799.5	1 239.6	1 705.6
Capital asset charge	814.6	879.0	909.9	1 016.8
Other operating expenses	4 829.9	5 101.2	6 316.5	7 815.8
Total expenses from transactions	15 502.7	16 086.1	18 250.5	21 325.7
Net result from transactions	368.6	99.4	(47.7)	99.4
(net operating balance)				
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	7.7	..	8.6	(3.8)
Net gain/(loss) on financial instruments and statutory receivables/payables	(15.5)	..	..	..
Other gains/(losses) from economic flows	15.8	(10.4)	2.0	..
Total other economic flows included in net result	8.1	(10.4)	10.6	(3.8)
Net result	376.7	89.0	(37.1)	95.6
Other economic flows – other comprehensive income				
Asset revaluation reserve	2 150.7	..	1.1	..
Financial assets available-for-sale reserve	13.1	..	0.1	..
Other	22.9	..	(16.6)	..
Total other economic flows – other comprehensive income	2 186.7	..	(15.4)	..
Comprehensive result	2 563.5	89.0	(52.5)	95.6

Sources: Departments of Health and Human Services, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Health included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.4.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2014 actual ^(a)	2015 budget ^{(a)(b)}	2015 revised ^(c)	2016 budget ^(c)
Assets				
Financial assets				
Cash and deposits	920.4	1 020.3	1 072.1	1 189.1
Receivables	1 687.8	2 115.9	2 323.7	2 658.2
Other financial assets	825.4	825.4	831.4	831.4
Investments accounted for using equity method	1.9	1.9	1.9	1.9
Total financial assets	3 435.6	3 963.6	4 229.2	4 680.6
Non-financial assets				
Inventories	76.2	76.2	76.8	76.8
Non-financial assets classified as held for sale including disposal group assets	7.4	7.4	8.2	8.2
Property, plant and equipment	12 761.4	12 718.4	13 728.5	14 785.1
Investment properties	29.6	29.6	29.6	29.6
Intangible assets	111.6	91.0	109.6	92.7
Other	56.7	63.3	69.7	76.3
Total non-financial assets	13 042.8	12 985.8	14 022.3	15 068.6
Total assets	16 478.4	16 949.3	18 251.5	19 749.2
Liabilities				
Payables	1 237.1	1 237.6	1 440.1	1 442.2
Borrowings	1 477.8	1 461.8	1 507.4	2 545.2
Provisions	2 070.9	2 173.9	2 426.1	2 552.8
Total liabilities	4 785.8	4 873.2	5 373.7	6 540.1
Net assets	11 692.6	12 076.1	12 877.8	13 209.0
Equity				
Accumulated surplus/(deficit)	1 025.4	1 114.4	974.5	1 070.0
Reserves	5 740.5	5 740.5	5 741.8	5 741.8
Contributed capital	4 926.7	5 221.2	6 161.6	6 397.2
Total equity	11 692.6	12 076.1	12 877.8	13 209.0

Sources: Departments of Health and Human Services, and Treasury and Finance

Notes:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the former Department of Health included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.
- (c) The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.4.3: Statement of cash flows

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government ^(c)	9 878.4	9 701.5	11 671.9	14 497.6
Receipts from other entities	5 265.7	5 552.6	5 642.4	5 970.1
Interest received	67.9	67.8	65.1	68.2
Other receipts	554.8	435.6	575.0	555.5
Total receipts	15 766.9	15 757.4	17 954.5	21 091.3
Payments				
Payments of grants and other transfers	(845.0)	(799.6)	(1 239.6)	(1 705.6)
Payments to suppliers and employees	(12 885.6)	(13 325.0)	(14 950.4)	(17 498.0)
Capital asset charge	(814.6)	(879.0)	(909.9)	(1 016.8)
Interest and other costs of finance paid	(84.3)	(76.2)	(98.4)	(102.9)
Total payments	(14 629.6)	(15 079.8)	(17 198.3)	(20 323.2)
Net cash flows from/(used in) operating activities	1 137.3	677.7	756.2	768.1
Cash flows from investing activities				
Net investment ^(c)	5.9	..	2.4	..
Payments for non-financial assets	(1 067.9)	(896.2)	(858.1)	(873.4)
Proceeds from sale of non-financial assets	16.6	40.0	(4.8)	..
Net loans to other parties	..	..	..	0.5
Net (purchase)/disposal of investments – policy purposes	0.3	..	..	(0.8)
Net cash flow from/(used in) investing activities	(1 045.1)	(856.2)	(860.4)	(873.7)
Cash flows from financing activities				
Owner contributions by State Government	35.2	294.5	286.7	236.5
Repayment of finance leases	25.5	(12.4)	(12.4)	(10.6)
Net borrowings	21.2	(3.7)	(18.4)	(3.3)
Net cash flows from/(used in) financing activities	81.9	278.5	255.9	222.6
Net increase/(decrease) in cash and cash equivalents	174.1	99.9	151.7	117.0
Cash and cash equivalents at the beginning of the financial year	746.3	920.4	920.4	1 072.1
Cash and cash equivalents at the end of the financial year	920.4	1 020.3	1 072.1	1 189.1

Sources: Departments of Health and Human Services, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Health included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.
- (c) Figures have been restated to better reflect the nature of related cash flows.

Table 3.4.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2013	634.9	4 926.8	3 057.8	509.8	9 129.3
Comprehensive result	390.6	..	2 150.7	22.2	2 563.5
Transactions with owners in their capacity as owners	..	(0.1)	..	..	(0.1)
Closing balance 30 June 2014 (actual)^(a)	1 025.4	4 926.7	5 208.5	532.0	11 692.6
Comprehensive result	89.0	..	..	..	89.0
Transactions with owners in their capacity as owners	..	294.5	..	..	294.5
Closing balance 30 June 2015 (budget)^{(a)(b)}	1 114.4	5 221.2	5 208.5	532.0	12 076.1
Comprehensive result	(53.7)	..	1.1	0.1	(52.5)
Transactions with owners in their capacity as owners	2.8	1 234.9	..	..	1 237.7
Closing balance 30 June 2015 (revised)^(c)	974.5	6 161.6	5 209.6	532.1	12 877.8
Comprehensive result	95.6	..	..	..	95.6
Transactions with owners in their capacity as owners	..	235.7	..	..	235.7
Closing balance 30 June 2016 (budget)^(c)	1 070.0	6 397.2	5 209.6	532.1	13 209.0

Sources: Departments of Health and Human Services, and Treasury and Finance

Notes:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the former Department of Health included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.
- (c) The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.4.5: Administered items statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^{(a)(b)}	2014-15 revised ^(c)	2015-16 budget ^(c)
Administered income				
Sale of goods and services	304.5	284.3	310.8	334.0
Grants	7 328.2	7 106.2	7 788.8	8 109.9
Interest	1.3	3.0	3.0	3.0
Other income	7.3	17.7	17.5	14.8
Total administered income	7 641.4	7 411.1	8 120.2	8 461.7
Administered expenses				
Expenses on behalf of the State	628.3	624.3	680.1	711.4
Grants and other transfers	6 660.1	6 457.0	7 069.6	7 360.0
Payments into the Consolidated Fund	363.9	331.4	372.9	398.1
Total administered expenses	7 652.3	7 412.6	8 122.6	8 469.5
Income less expenses	(11.0)	(1.5)	(2.4)	(7.8)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	1.2	1.5	7.7	7.8
Other gains/(losses) from other economic flows	0.8	..	0.1	..
Total other economic flows included in net result	2.0	1.5	7.8	7.8
Net result	(8.9)	..	5.4	..
Other economic flows – other comprehensive income				
Other	..	..	(16.3)	..
Total other economic flows – other comprehensive income	..	..	(16.3)	..
Comprehensive result	(8.9)	..	(10.8)	..
Administered assets				
Receivables	6.4	6.4	11.8	11.8
Other financial assets	..	..	1.3	1.3
Other	21.2	21.2	21.2	21.2
Total administered assets	27.7	27.7	34.3	34.3
Administered liabilities				
Payables	22.0	22.0	22.0	22.0
Provisions	..	..	4.6	4.6
Total administered liabilities	22.0	22.0	26.6	26.6
Net assets	5.7	5.7	7.7	7.7

Sources: Departments of Health and Human Services, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Health included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balances.
- (c) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

DEPARTMENT OF JUSTICE AND REGULATION

Operating performance

The Department's net result from transactions is forecast to improve from a 2014-15 budget deficit of \$12.7 million to an estimated surplus of \$18.2 million in 2015-16. The estimated turnaround of \$30.9 million in 2015-16 is mainly due to:

- higher expected investment returns in trust funds mainly in the Victorian Property Fund and the Residential Tenancies Fund due to changes in the Department's investment profile;
- the expected completion of the Liquor and Gambling Information System project funded from prior year accumulated surplus in 2014-15; and
- the expected completion of Victoria Police's IT Refresh project and the operation of the Sporting Integrity Intelligence Unit funded from prior year accumulated surplus in 2014-15.

Output appropriation revenue in 2015-16 will increase by \$194.4 million compared to the 2014-15 budget. This is due to:

- new output initiatives announced in the *2015-16 Budget*, including Expanding Community Correctional Services to meet demand and funding for Custody officers to free up 400 police; and
- the continuing implementation of initiatives announced in previous budgets mainly focusing on increasing additional capacity across the prison system and supporting frontline police and protective services officers.

The *2015-16 Budget* also reflects the transfer of Anti-Corruption and Public Sector Integrity bodies, the Freedom of Information Commissioner, the Victorian Electoral Commission and Privacy and Data Protection Victoria to the Department of Premier and Cabinet as part of the machinery of government changes effective from 1 January 2015.

Estimated 2015-16 operating expenses are forecast to increase by approximately the same amount as revenue due to the factors identified above.

Balance sheet

The Department's 2015-16 net asset position is estimated to improve by \$206 million compared to the 2014-15 budget. This is largely attributable to additional capital investment, particularly in the corrections system to expand various men and women's prisons and invest in critical infrastructure and services in order to accommodate additional prisoners.

Investing and financing

The decrease in payments for non-financial assets in 2015-16 reflects payments made for the Hopkins correctional centre in the 2014-15 year. This will be partly offset by payments for non-financial assets in 2015-16 to reflect new asset investment programs for the Department, particularly in the corrections expansion program and police station upgrades.

Administered items statement

Revenue administered by the Department on behalf of the State and third parties is forecast to rise by \$82.9 million in the 2015-16 budget relative to the 2014-15 budget. This is driven by increases in gaming taxation and fines revenue. Administered expenses are expected to increase by \$49.2 million over the same period largely due to the transfer of the higher fines, fee and taxation revenue into the Consolidated Fund.

Other economic flow losses have increased relative to the 2014-15 budget due to the recognition of bad and doubtful debts resulting from fine related enforcement activities. Outstanding debts will continue to be vigorously pursued through all legal means, however prudent accounting requires that provision be made for such debts.

Table 3.5.1: Comprehensive operating statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	5 093.7	5 233.8	5 141.2	5 428.2
Special appropriations	133.5	73.8	49.9	1.4
Interest	56.7	67.3	62.3	71.8
Sale of goods and services	15.6	16.6	17.0	17.5
Grants	54.1	48.7	54.1	54.9
Fair value of assets and services received free of charge or for nominal consideration	14.9	..	..	..
Other income	31.7	11.5	20.4	22.6
Total income from transactions	5 400.2	5 451.8	5 344.9	5 596.4
Expenses from transactions				
Employee benefits	2 582.6	2 555.1	2 569.1	2 682.7
Depreciation	200.2	167.3	176.0	177.3
Interest expense	35.6	28.8	28.8	22.7
Grants and other transfers	1 048.1	1 055.4	1 067.4	1 095.2
Capital asset charge	216.3	196.1	196.0	224.9
Other operating expenses	1 283.7	1 461.8	1 334.2	1 375.4
Total expenses from transactions	5 366.6	5 464.5	5 371.4	5 578.2
Net result from transactions (net operating balance)	33.6	(12.7)	(26.6)	18.2
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	9.5	10.7	10.7	10.7
Net gain/(loss) on financial instruments and statutory receivables/payables	9.7	..	..	2.0
Other gains/(losses) from economic flows	(0.4)	..	..	..
Total other economic flows included in net result	18.8	10.7	10.7	12.7
Net result	52.3	(2.0)	(15.9)	31.0
Other economic flows – other comprehensive income				
Asset revaluation reserve	(1.6)	..	..	..
Other	3.8	..	..	..
Total other economic flows – other comprehensive income	2.2	..	..	..
Comprehensive result	54.6	(2.0)	(15.9)	31.0

Sources: Departments of Justice and Regulation, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Justice included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.5.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2014 actual ^(a)	2015 budget ^{(a)(b)}	2015 revised ^(c)	2016 budget ^(c)
Assets				
Financial assets				
Cash and deposits	322.3	316.1	308.3	325.7
Receivables	769.7	797.4	869.7	861.4
Other financial assets	269.1	278.7	280.0	291.3
Total financial assets	1 361.1	1 392.1	1 458.1	1 478.3
Non-financial assets				
Inventories	17.2	17.2	16.0	16.0
Non-financial assets classified as held for sale including disposal group assets	7.6	7.6	7.6	7.6
Property, plant and equipment	4 302.8	3 885.7	3 758.0	4 007.6
Intangible assets	114.0	79.3	80.6	87.7
Other	9.7	9.7	4.4	4.4
Total non-financial assets	4 451.3	3 999.5	3 866.6	4 123.3
Total assets	5 812.3	5 391.6	5 324.8	5 601.7
Liabilities				
Payables	638.6	366.7	474.6	375.3
Borrowings	392.0	253.5	252.5	223.8
Provisions	687.4	658.4	650.2	683.5
Total liabilities	1 717.9	1 278.6	1 377.2	1 282.7
Net assets	4 094.4	4 113.0	3 947.5	4 319.0
Equity				
Accumulated surplus/(deficit)	756.4	754.4	750.9	781.8
Reserves	1 538.4	1 538.4	1 538.4	1 538.4
Contributed capital	1 799.6	1 820.2	1 658.3	1 998.8
Total equity	4 094.4	4 113.0	3 947.5	4 319.0

Sources: Departments of Justice and Regulation, and Treasury and Finance

Notes:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the former Department of Justice included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.
- (c) The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.5.3: Statement of cash flows

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government ^(c)	5 182.7	5 241.8	5 043.6	5 442.5
Receipts from other entities	66.0	58.6	64.3	65.6
Interest received	54.6	66.7	61.7	71.2
Other receipts	14.6	15.1	24.0	26.2
Total receipts	5 317.7	5 382.2	5 193.6	5 605.5
Payments				
Payments of grants and other transfers	(1 046.5)	(1 056.0)	(1 068.0)	(1 095.8)
Payments to suppliers and employees	(3 806.3)	(3 977.8)	(3 864.2)	(4 014.2)
Capital asset charge	(216.3)	(196.1)	(196.0)	(224.9)
Interest and other costs of finance paid	(35.4)	(28.6)	(28.5)	(22.4)
Total payments	(5 104.5)	(5 258.5)	(5 156.8)	(5 357.4)
Net cash flows from/(used in) operating activities	213.3	123.7	36.8	248.0
Cash flows from investing activities				
Net investment ^(c)	(11.4)	(9.6)	(11.0)	(9.2)
Payments for non-financial assets	(436.1)	(852.3)	(641.7)	(567.3)
Proceeds from sale of non-financial assets	30.3	34.0	34.0	34.0
Net loans to other parties	2.1	..	(1.7)	..
Net cash flow from/(used in) investing activities	(415.1)	(827.8)	(620.3)	(542.5)
Cash flows from financing activities				
Owner contributions by State Government	240.3	726.8	596.6	340.5
Repayment of finance leases	(19.1)	(17.6)	(17.6)	(17.6)
Net borrowings	(4.6)	(11.3)	(9.5)	(11.1)
Net cash flows from/(used in) financing activities	216.7	697.9	569.5	311.8
Net increase/(decrease) in cash and cash equivalents	14.8	(6.2)	(14.0)	17.4
Cash and cash equivalents at the beginning of the financial year	307.5	322.3	322.3	308.3
Cash and cash equivalents at the end of the financial year	322.3	316.1	308.3	325.7

Sources: Departments of Justice and Regulation, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Justice included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.
- (c) Figures have been restated to better reflect the nature of related cash flows.

Table 3.5.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2013	700.2	1 570.2	1 540.0	..	3 810.4
Comprehensive result	56.2	..	(1.6)	..	54.6
Transactions with owners in their capacity as owners	..	229.4	..	..	229.4
Closing balance 30 June 2014 (actual)^(a)	756.4	1 799.6	1 538.4	..	4 094.4
Comprehensive result	(2.0)	..	..	..	(2.0)
Transactions with owners in their capacity as owners	..	20.6	..	..	20.6
Closing balance 30 June 2015 (budget)^{(a)(b)}	754.4	1 820.2	1 538.4	..	4 113.0
Comprehensive result	(15.9)	..	..	..	(15.9)
Transactions with owners in their capacity as owners	10.3	(141.4)	..	..	(131.0)
Closing balance 30 June 2015 (revised)^(c)	750.9	1 658.3	1 538.4	..	3 947.5
Comprehensive result	31.0	..	..	..	31.0
Transactions with owners in their capacity as owners	..	340.5	..	..	340.5
Closing balance 30 June 2016 (budget)^(c)	781.8	1 998.8	1 538.4	..	4 319.0

Sources: *Departments of Justice and Regulation, and Treasury and Finance*

Notes:

- (a) *Figures for 2014 actual and 2015 budget reflect the operations of the former Department of Justice included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.*
- (b) *The 2015 budget figures have been restated to reflect the 2014 actual closing balances.*
- (c) *The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.*

Table 3.5.5: Administered items statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^{(a)(b)}	2014-15 revised ^(c)	2015-16 budget ^(c)
Administered income				
Appropriations – payments made on behalf of the State	28.6	54.5	54.5	54.5
Special appropriations	589.2	20.7	18.5	9.8
Sale of goods and services	500.7	395.4	442.1	445.6
Grants	5.1	9.3	9.4	7.2
Interest	11.5	7.8	17.7	17.5
Other income	2 324.8	2 569.1	2 504.8	2 605.0
Total administered income	3 460.0	3 056.7	3 047.0	3 139.6
Administered expenses				
Expenses on behalf of the State	564.2	12.7	13.2	13.4
Grants and other transfers	35.3	15.7	13.0	4.1
Payments into the Consolidated Fund	2 502.2	2 686.0	2 895.8	2 746.2
Total administered expenses	3 101.7	2 714.5	2 922.0	2 763.7
Income less expenses	358.2	342.2	124.9	375.9
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	2.2	0.7	0.7	0.7
Other gains/(losses) from other economic flows	(268.8)	(280.9)	(296.4)	(314.7)
Total other economic flows included in net result	(266.6)	(280.2)	(295.7)	(314.0)
Net result	91.6	62.1	(170.8)	61.9
Other economic flows – other comprehensive income				
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	(15.2)	..	..	..
Total other economic flows – other comprehensive income	(15.2)	..	..	..
Comprehensive result	76.4	62.1	(170.8)	61.9
Administered assets				
Cash and deposits	75.5	68.2	67.8	67.4
Receivables	1 549.1	1 475.4	1 726.4	1 638.6
Other financial assets	..	2.0	2.0	4.0
Total administered assets	1 624.6	1 545.7	1 796.2	1 709.9
Administered liabilities				
Payables	1 235.6	1 094.2	1 577.7	1 429.5
Provisions	2.6	1.8	1.8	1.8
Total administered liabilities	1 238.2	1 096.0	1 579.4	1 431.3
Net assets	386.4	449.7	216.8	278.7

Sources: Departments of Justice and Regulation, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the former Department of Justice included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balances.
- (c) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.5.6: Payments made on behalf of the State*(\$ million)*

<i>Accounts</i>	<i>2014-15 budget^(a)</i>	<i>2014-15 revised^(b)</i>	<i>2015-16 budget^(b)</i>
Tattersalls duty payments to other jurisdictions	54.5	54.5	54.5
Total	54.5	54.5	54.5

*Sources: Departments of Justice and Regulation, and Treasury and Finance**Notes:*

- (a) *The 2014-15 budget reflects the operations of the former Department of Justice included in the 2014-15 Budget, which does not include the impact of machinery of government changes effective from 1 January 2015.*
- (b) *The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.*

DEPARTMENT OF PREMIER AND CABINET

Operating performance

The net result from transactions for the Department of Premier and Cabinet is forecast to decrease from a surplus of \$8.4 million in the 2014-15 revised budget to a deficit of \$2.2 million in the 2015-16 budget.

The Department anticipates that total income from transactions will reduce by \$141.8 million in 2015-16 compared to the 2014-15 revised budget.

These movements are largely a result of the full year effect of the 1 January 2015 machinery of government changes in which Arts Victoria was transferred out of the Department, and various integrity bodies, Digital Government, and the Office of Women and Equality were transferred into the Department. The decrease in total income will be partially offset by new output initiative funding announced in the *2015-16 Budget*, including:

- Service Victoria;
- Social cohesion and community resilience; and
- Victorian Aboriginal cultural heritage strategy.

Estimated 2015-16 departmental operating expenses are forecast to decrease by a similar amount as revenue due to the factors identified above.

Balance sheet

The Department's net asset position is estimated to increase by \$7.7 million in 2015-16. This results from funding of new asset initiatives in the *2015-16 Budget*.

New asset initiative funding reflected in the *2015-16 Budget* includes funding for the Public Record Office Victoria's Digital Archive and Asset Maintenance and Renewal Program.

Investing and financing

The Department's statement of cash flows shows payments for non-financial assets of \$15.5 million in 2015-16, which includes new asset initiatives identified above, further expenditure on existing capital projects, and other projects funded from minor works following machinery of government changes.

Administered items statement

The Department's administered items statement shows decreased revenue and expenditure in the 2015-16 budget. This is due to less funding allocated for the Hazelwood Mine Fire inquiry in 2015-16 compared to 2014-15 as well as a one off recognition of Commonwealth funding received for the Shrine of Remembrance in 2014-15.

Table 3.6.1: Comprehensive operating statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	576.4	593.8	454.5	339.0
Special appropriations	8.7	8.7	50.8	57.1
Interest	5.9	2.9	7.6	0.1
Sale of goods and services	71.6	56.9	32.9	1.6
Grants	10.5	7.3	12.9	27.7
Fair value of assets and services received free of charge or for nominal consideration	0.5	1.7	0.3	..
Other income	30.7	24.5	12.8	4.7
Total income from transactions	704.3	695.7	571.9	430.1
Expenses from transactions				
Employee benefits	229.7	240.4	214.0	214.8
Depreciation	63.3	67.8	39.8	14.5
Interest expense	0.1	..	0.1	..
Grants and other transfers	111.8	123.0	83.1	53.3
Capital asset charge	99.6	100.4	54.6	8.7
Other operating expenses	187.2	157.6	171.9	141.0
Total expenses from transactions	691.8	689.2	563.4	432.3
Net result from transactions	12.6	6.5	8.4	(2.2)
(net operating balance)				
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(0.7)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	12.3	(0.8)	(0.7)	..
Other gains/(losses) from economic flows	(0.1)	..	..	..
Total other economic flows included in net result	11.5	(0.8)	(0.7)	..
Net result	24.1	5.7	7.7	(2.2)
Other economic flows – other comprehensive income				
Asset revaluation reserve	337.7	..	(0.1)	..
Financial assets available-for-sale reserve	(5.7)	1.1	(0.3)	..
Other	(336.5)	(4.1)	(0.6)	..
Total other economic flows – other comprehensive income	(4.5)	(2.9)	(1.1)	..
Comprehensive result	19.6	2.8	6.6	(2.2)

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the Department of Premier and Cabinet included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.6.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2014 actual ^(a)	2015 budget ^{(a)(b)}	2015 revised ^(c)	2016 budget ^(c)
Assets				
Financial assets				
Cash and deposits	60.2	57.4	32.5	31.0
Receivables	202.6	245.0	90.5	97.9
Other financial assets	79.6	80.7	1.8	1.8
Total financial assets	342.4	383.1	124.7	130.6
Non-financial assets				
Inventories	3.4	3.4	1.4	1.4
Property, plant and equipment	6 629.9	6 617.6	470.6	471.6
Intangible assets	5.9	5.9	8.4	8.4
Other	2.7	2.8	5.9	5.9
Total non-financial assets	6 642.0	6 629.6	486.3	487.3
Total assets	6 984.4	7 012.8	611.0	617.9
Liabilities				
Payables	28.3	27.7	13.0	13.0
Borrowings	2.7	2.7	3.3	3.0
Provisions	48.0	48.1	32.7	32.3
Total liabilities	79.0	78.4	48.9	48.2
Net assets	6 905.4	6 934.3	562.0	569.7
Equity				
Accumulated surplus/(deficit)	58.6	56.1	85.3	83.1
Reserves	5 194.4	5 199.7	200.2	200.2
Contributed capital	1 652.4	1 678.5	276.6	286.4
Total equity	6 905.4	6 934.3	562.0	569.7

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Notes:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the Department of Premier and Cabinet included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.
- (c) The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.6.3: Statement of cash flows

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government ^(c)	549.5	560.2	497.3	388.6
Receipts from other entities	74.9	62.3	42.8	27.7
Interest received	5.9	2.9	7.7	0.1
Other receipts	33.6	26.1	16.0	6.4
Total receipts	663.9	651.6	563.8	422.7
Payments				
Payments of grants and other transfers	(112.0)	(123.0)	(83.1)	(53.3)
Payments to suppliers and employees	(413.5)	(396.9)	(390.5)	(356.2)
Capital asset charge	(99.6)	(100.4)	(54.6)	(8.7)
Interest and other costs of finance paid	(0.1)	..	(0.1)	..
Total payments	(625.2)	(620.3)	(528.2)	(418.2)
Net cash flows from/(used in) operating activities	38.7	31.2	35.6	4.5
Cash flows from investing activities				
Net investment ^(c)	3.0	0.1	(4.8)	..
Payments for non-financial assets	(67.5)	(59.4)	(28.9)	(15.5)
Proceeds from sale of non-financial assets	0.4	..	..	..
Net cash flow from/(used in) investing activities	(64.2)	(59.3)	(33.7)	(15.5)
Cash flows from financing activities				
Owner contributions by State Government	29.7	26.1	(19.5)	9.8
Net borrowings	0.6	(0.8)	(10.1)	(0.3)
Net cash flows from/(used in) financing activities	30.3	25.3	(29.6)	9.5
Net increase/(decrease) in cash and cash equivalents	4.9	(2.8)	(27.7)	(1.5)
Cash and cash equivalents at the beginning of the financial year	55.3	60.2	60.2	32.5
Cash and cash equivalents at the end of the financial year	60.2	57.4	32.5	31.0

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the Department of Premier and Cabinet included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.
- (c) Figures have been restated to better reflect the nature of related cash flows.

Table 3.6.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2013	73.5	1 605.8	4 816.9	343.0	6 839.2
Comprehensive result	(14.9)	..	337.7	(303.3)	19.6
Transactions with owners in their capacity as owners	..	46.6	..	..	46.6
Closing balance 30 June 2014 (actual)^(a)	58.6	1 652.4	5 154.6	39.8	6 905.4
Comprehensive result	(2.5)	..	..	5.3	2.8
Transactions with owners in their capacity as owners	..	26.1	..	..	26.1
Closing balance 30 June 2015 (budget)^{(a)(b)}	56.1	1 678.5	5 154.6	45.1	6 934.3
Comprehensive result	46.5	..	(0.1)	(39.8)	6.6
Transactions with owners in their capacity as owners	(19.9)	(1 375.8)	(4 954.3)	..	(6 350.0)
Closing balance 30 June 2015 (revised)^(c)	85.3	276.6	200.2	..	562.0
Comprehensive result	(2.2)	..	..	..	(2.2)
Transactions with owners in their capacity as owners	..	9.8	..	..	9.8
Closing balance 30 June 2016 (budget)^(c)	83.1	286.4	200.2	..	569.7

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Notes:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the Department of Premier and Cabinet included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.
- (c) The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.6.5: Administered items statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^{(a)(b)}	2014-15 revised ^(c)	2015-16 budget ^(c)
Administered income				
Appropriations – payments made on behalf of the State	1.4	3.5	2.5	1.0
Special Appropriations	..	..	2.7	..
Sale of goods and services	0.6	1.3	1.3	0.5
Grants	..	..	3.0	..
Other income	0.1	0.3	0.3	0.3
Total administered income	2.1	5.1	9.8	1.8
Administered expenses				
Expenses on behalf of the State	1.4	3.5	2.5	1.0
Grants and other transfers	..	..	2.7	..
Payments into the Consolidated Fund	0.7	1.6	4.6	0.8
Total administered expenses	2.1	5.1	9.8	1.8
Net result	..	..	..	..
Comprehensive result				
Administered assets				
Receivables	0.3	0.3	0.8	0.8
Total administered assets	0.3	0.3	0.8	0.8
Administered liabilities				
Payables	0.1	0.1	0.6	0.6
Provisions	0.1	0.1	0.1	0.1
Total administered liabilities	0.2	0.2	0.7	0.7
Net assets	0.1	0.1	0.1	0.1

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the Department of Premier and Cabinet included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balances.
- (c) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.6.6: Payments made on behalf of the State*(\$ million)*

	<i>2014-15 budget^(a)</i>	<i>2014-15 revised^(b)</i>	<i>2015-16 budget^(b)</i>
Hazelwood Mine Fire Inquiry	3.5	2.5	1.0
Total	3.5	2.5	1.0

*Sources: Departments of Premier and Cabinet, and Treasury and Finance**Notes:*

- (a) *The 2014-15 budget reflect the operations of the Department of Premier and Cabinet included in the 2014-15 Budget, which does not include the impact of machinery of government changes effective from 1 January 2015.*
- (b) *The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.*

DEPARTMENT OF TREASURY AND FINANCE

Operating performance

The Department of Treasury and Finance expects to deliver a minor net deficit from transactions in 2015-16.

This result is primarily due to the impact of machinery of government changes that transferred the centralised information technology provider (CenITex) to the Department, with an operating deficit for the entity expected in 2015-16. The future operation of CenITex is currently under review.

The Department's total income from transactions is expected to increase by \$58.9 million when compared to the 2014-15 revised budget. The increase mainly relates to the sales of goods and services income earned by CenITex.

Output appropriations are expected to decrease by \$12.5 million, primarily due to:

- lower funding required during the year to progress the medium-term lease over the Port of Melbourne;
- abolition of the Construction Code Compliance Unit; and
- machinery of government transfers of the Victorian Competition and Efficiency Commission and the Workplace Relations Unit to other departments.

Estimated 2015-16 departmental operating expenses are forecast to increase by approximately the same amount as revenue due to the factors identified above.

Balance sheet

The Department's net asset position is forecast to increase by \$30.4 million between the 2014-15 revised budget and the 2015-16 budget. Receivables are estimated to increase by \$36.1 million, largely representing appropriation received for the Department's depreciation not being fully drawn down in cash. The increase in liabilities is largely due to an expected rise of \$4.4 million to the provision for employee benefits.

Investing and financing

Net cash flows from investing activities are estimated to decrease by \$10.6 million as the State considers various options to deliver core information technology services.

The estimated decrease of \$50.2 million in net cash flows from financing activities in 2015-16 compared to the 2014-15 revised budget is predominantly associated with the machinery of government transfer of CenITex to the Department.

Administered items statement

The Department manages a large number of transactions on behalf of the State, for which it does not exercise direct control, for example, the collection of State taxation income and administration of the State's superannuation expenses.

Total administered income is expected to increase by \$2.3 billion between the 2014-15 revised budget and the 2015-16 budget. Total grant revenue is estimated to increase by \$774 million, primarily associated with the Commonwealth Government aggregated payments, covering Specific Purpose and National Partnership payments.

The \$996 million increase in other income mainly relates to State taxation revenues.

Administered operating expenses are expected to increase by \$1.5 billion, largely reflecting the increase in revenue receipts that are required to be transferred into the Consolidated Fund.

Table 3.7.1: Comprehensive operating statement

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	254.8	236.9	255.2	242.7
Special appropriations	..	..	..	..
Interest	..	12.2	0.2	0.4
Sale of goods and services	18.2	19.4	86.1	154.8
Fair value of assets and services received free of charge or for nominal consideration	..	..	3.7	5.0
Other income	24.9	26.6	28.0	29.3
Total income from transactions	297.9	295.1	373.3	432.2
Expenses from transactions				
Employee benefits	123.7	124.2	153.2	183.5
Depreciation	41.9	38.0	46.3	62.7
Interest expense	0.1	13.4	0.1	0.2
Grants and other transfers	8.2	5.6	7.4	5.5
Capital asset charge	21.2	21.2	21.2	21.2
Other operating expenses	85.3	87.1	149.0	159.4
Total expenses from transactions	280.4	289.5	377.3	432.4
Net result from transactions (net operating balance)	17.5	5.6	(4.0)	(0.2)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	0.7	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	..	..	(0.8)	(1.0)
Other gains/(losses) from economic flows	(0.1)	..	0.2	..
Total other economic flows included in net result	0.6	..	(0.6)	(1.0)
Net result	18.1	5.6	(4.6)	(1.2)
Other economic flows – other comprehensive income				
Asset revaluation reserve	..	29.7	29.7	29.7
Other	(6.0)	..	..	..
Total other economic flows – other comprehensive income	(6.0)	29.7	29.7	29.7
Comprehensive result	12.2	35.3	25.2	28.5

Source: Department of Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the Department of Treasury and Finance included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.7.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2014 actual ^(a)	2015 budget ^{(a)(b)}	2015 revised ^(c)	2016 budget ^(c)
Assets				
Financial assets				
Cash and deposits	61.2	62.3	72.5	73.1
Receivables	159.9	187.2	184.3	220.4
Total financial assets	221.1	249.5	256.8	293.4
Non-financial assets				
Inventories	6.2	6.2	6.2	6.2
Property, plant and equipment	519.7	532.6	557.2	573.4
Intangible assets	18.0	27.1	58.8	39.9
Other	5.9	5.9	22.3	22.3
Total non-financial assets	549.8	571.8	644.5	641.8
Total assets	771.0	821.2	901.4	935.2
Liabilities				
Payables	68.7	68.9	93.7	92.8
Borrowings	4.6	9.6	4.6	4.6
Provisions	35.5	39.9	48.4	52.8
Total liabilities	108.7	118.3	146.8	150.2
Net assets	662.2	703.0	754.6	785.0
Equity				
Accumulated surplus/(deficit)	178.9	184.4	110.6	109.4
Reserves	237.1	266.8	266.8	296.6
Contributed capital	246.3	251.7	377.2	379.0
Total equity	662.2	703.0	754.6	785.0

Source: Department of Treasury and Finance

Notes:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the Department of Treasury and Finance included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.
- (c) The 2015 revised and 2016 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.7.3: Statement of cash flows

(\$ million)

	2013-14 actual ^(a)	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government ^(c)	212.2	219.6	240.9	206.7
Interest received	..	12.2	0.2	0.4
Other receipts	255.2	46.4	102.4	192.5
Total receipts	467.5	278.2	343.5	399.6
Payments				
Payments of grants and other transfers	(15.2)	(11.0)	(18.1)	(14.9)
Payments to suppliers and employees	(217.0)	(206.8)	(298.0)	(328.5)
Capital asset charge	(21.2)	(21.2)	(21.2)	(21.2)
Interest and other costs of finance paid	(0.1)	(13.4)	(0.1)	(0.2)
Total payments	(253.5)	(252.5)	(337.4)	(364.7)
Net cash flows from/(used in) operating activities	214.0	25.7	6.0	34.9
Cash flows from investing activities				
Net investment ^(c)	..	..	..	..
Payments for non-financial assets	(10.3)	(32.6)	(48.1)	(37.6)
Proceeds from sale of non-financial assets	1.9	..	..	..
Net loans to other parties	..	(0.1)	(0.1)	..
Net cash flow from/(used in) investing activities	(8.4)	(32.8)	(48.2)	(37.6)
Cash flows from financing activities				
Owner contributions by State Government	(6.0)	7.8	59.3	4.2
Repayment of finance leases	(0.1)	..	..	..
Net borrowings	(225.2)	0.3	(5.8)	(0.9)
Net cash flows from/(used in) financing activities	(231.3)	8.1	53.5	3.3
Net increase/(decrease) in cash and cash equivalents	(25.6)	1.1	11.4	0.5
Cash and cash equivalents at the beginning of the financial year	86.8	61.2	61.2	72.5
Cash and cash equivalents at the end of the financial year	61.2	62.3	72.5	73.1

Source: Department of Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the Department of Treasury and Finance included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.
- (c) Figures have been restated to better reflect the nature of related cash flows.

Table 3.7.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2013	166.7	246.4	237.1	..	650.1
Comprehensive result	12.2	..	..	..	12.2
Transactions with owners in their capacity as owners	..	(0.1)	..	..	(0.1)
Closing balance 30 June 2014 (actual)^(a)	178.9	246.3	237.1	..	662.2
Comprehensive result	5.6	..	29.7	..	35.3
Transactions with owners in their capacity as owners	..	5.4	..	..	5.4
Closing balance 30 June 2015 (budget)^{(a)(b)}	184.4	251.7	266.8	..	703.0
Comprehensive result	(4.6)	..	29.7	..	25.2
Transactions with owners in their capacity as owners	(63.7)	130.9	..	..	67.2
Closing balance 30 June 2015 (revised)^(c)	110.6	377.2	266.8	..	754.6
Comprehensive result	(1.2)	..	29.7	..	28.5
Transactions with owners in their capacity as owners	..	1.8	..	..	1.8
Closing balance 30 June 2016 (budget)^(c)	109.4	379.0	296.6	..	785.0

Source: Department of Treasury and Finance

Notes:

- (a) Figures for 2014 actual and 2015 budget reflect the operations of the Department of Treasury and Finance included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.
- (c) The 2015 revised and 2016 estimate reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.7.5: Administered items statement

(\$ million)

	2013-14 actual ^{(a)(b)}	2014-15 budget ^{(a)(b)(c)}	2014-15 revised ^(a)	2015-16 budget ^(a)
Administered income				
Appropriations – payments made on behalf of the State	1 880.3	2 434.3	2 481.5	2 773.2
Special appropriations	1 285.8	2 252.4	2 213.0	2 415.4
Fair value of assets and services received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	16.1	39.4	40.6	39.5
Grants	20 504.1	19 690.2	19 348.2	20 122.1
Interest	65.1	64.6	71.1	68.3
Other income	18 074.8	19 257.9	19 915.1	20 910.7
Total administered income	41 826.2	43 738.8	44 069.5	46 329.1
Administered expenses				
Expenses on behalf of the State	229.7	298.5	823.7	298.5
Employee benefits	1 318.9	1 412.8	1 298.2	1 610.1
Grants and other transfers	2 948.4	2 950.3	3 243.2	3 550.5
Payments into the Consolidated Fund	38 139.6	37 495.3	37 785.8	39 158.6
Interest expense	1 300.5	1 369.1	1 266.9	1 275.1
Total administered expenses	43 937.1	43 525.9	44 417.7	45 892.8
Income less expenses	(2 110.8)	212.9	(348.2)	436.3
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	1.1	58.6	(1.1)	..
Other gains/(losses) from other economic flows	(35.4)	26.3	285.6	16.9
Total other economic flows included in net result	(34.3)	84.9	284.4	16.9
Net result	(2 145.2)	297.8	(63.8)	453.2
Other economic flows – other comprehensive income				
Remeasurement of superannuation defined benefit plans	(290.4)	499.2	(4 278.8)	962.4
Other	(609.1)	..	..	..
Total other economic flows – other comprehensive income	(899.5)	499.2	(4 278.8)	962.4
Comprehensive result	(3 044.7)	797.0	(4 342.6)	1 415.6
Administered assets				
Cash and deposits	1 691.7	1 673.2	1 669.2	1 768.2
Receivables	633.6	2 888.3	1 193.9	2 509.6
Other financial assets	480.8	480.8	480.8	480.8
Other	1.2	1.2	1.2	1.2
Property, plant and equipment	..	380.5	11.5	53.0
Total administered assets	2 807.4	5 424.0	3 356.6	4 812.8

Table 3.7.5: Administered items statement (continued)

(\$ million)

	2013-14 actual ^{(a)(b)}	2014-15 budget ^{(a)(b)(c)}	2014-15 revised ^(d)	2015-16 budget ^(d)
Administered liabilities				
Payables	558.5	455.1	459.7	368.7
Borrowings	24 657.1	26 879.3	25 266.8	20 357.3
Provisions	11.9	12.0	626.9	12.0
Other	26 253.7	25 951.8	30 754.0	29 810.4
Total administered liabilities	51 481.2	53 298.2	57 107.4	50 548.3
Net assets	(48 673.9)	(47 874.1)	(53 750.8)	(45 735.5)

Source: Department of Treasury and Finance

Notes:

- (a) Figures for 2013-14 actual and 2014-15 budget reflect the operations of the Department of Treasury and Finance included in the 2013-14 Financial Report for the State of Victoria or the 2014-15 Budget, which do not include the impact of machinery of government changes effective from 1 January 2015.
- (b) Figures for 2013-14 actual and 2014-15 budget have been restated to reflect current information.
- (c) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balances.
- (d) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

Table 3.7.6: Payments made on behalf of the State

(\$ million)

Accounts	2014-15 budget ^{(a)(b)}	2014-15 revised ^(c)	2015-16 budget ^(c)
Superannuation and pension payments	16.4	16.4	16.4
Interest	1 355.5	1 246.3	1 259.4
Current and capital grants	235.3	238.8	373.8
Operating supplies and consumables	270.9	180.7	260.0
Other	549.2	795.3	861.9
Total	2 427.4	2 477.4	2 771.5

Source: Department of Treasury and Finance

Notes:

- (a) The 2014-15 budget reflects the operations of the Department of Treasury and Finance included in the 2014-15 Budget, which does not include the impact of machinery of government changes effective from 1 January 2015.
- (b) The 2014-15 budget has been restated to reflect current information.
- (c) The 2014-15 revised and 2015-16 budget reflect the full impact of machinery of government changes effective from 1 January 2015.

PARLIAMENT (INCLUDING VICTORIAN AUDITOR-GENERAL'S OFFICE)

Operating performance

Parliament and the Victorian Auditor-General's Office are estimating a combined net operating deficit of \$0.6 million in the 2015-16 budget.

The combined operating statement shows an increase in total income of \$8.7 million (4.9 per cent) from the 2014-15 revised budget to the 2015-16 budget. The variation in annual appropriation revenue is primarily due to expected carryover of Parliamentary Services Department appropriation funding from 2014-15 to 2015-16 and initiatives as part of the *2015-16 Budget* including:

- Legislative Council standing committees;
- Electorate office and communication budgets; and
- Security enhancement at Parliament House.

Balance sheet

No significant movements.

Investing and financing

No significant movements.

Table 3.8.1: Comprehensive operating statement

(\$ million)

	2013-14 <i>actual</i>	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	135.1	144.7	138.8	146.7
Special appropriations	34.6	38.6	38.6	39.3
Sale of goods and services	1.7	..	..	..
Grants	0.2	..	..	..
Fair value of assets and services received free of charge or for nominal consideration	0.1	..	..	..
Total income from transactions	171.7	183.3	177.5	186.2
Expenses from transactions				
Employee benefits	100.1	107.9	105.9	109.6
Depreciation	14.1	14.7	14.7	14.8
Interest expense	0.1	0.2	0.2	0.2
Capital asset charge	2.3	2.3	2.3	3.0
Other operating expenses	52.7	58.1	54.3	59.1
Total expenses from transactions	169.4	183.3	177.5	186.7
Net result from transactions (net operating balance)	2.3	..	..	(0.6)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	0.2	..	..	..
Other gains/(losses) from economic flows	..	..	..	..
Total other economic flows included in net result	0.2	..	..	..
Net result	2.5	..	..	(0.6)
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	2.5	..	..	(0.6)

Sources: Parliament of Victoria, Victorian Auditor-General's Office, and Department of Treasury and Finance

Table 3.8.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 Jun</i>			
	<i>2014 actual</i>	<i>2015 budget^(a)</i>	<i>2015 revised</i>	<i>2016 budget</i>
Assets				
Financial assets				
Receivables	69.1	78.7	73.7	85.5
Total financial assets	69.1	78.7	73.7	85.5
Non-financial assets				
Inventories	0.1	0.1	0.1	0.1
Non-financial assets classified as held for sale including disposal group assets	0.2	0.2	0.2	0.2
Property, plant and equipment	447.6	434.1	439.1	429.9
Intangible assets	0.1	0.3	0.3	0.1
Other	2.3	1.8	1.8	2.3
Total non-financial assets	450.2	436.6	441.6	432.6
Total assets	519.3	515.3	515.3	518.1
Liabilities				
Payables	5.9	5.5	5.5	5.8
Borrowings	3.6	3.4	3.4	3.6
Provisions	16.5	13.1	13.1	15.9
Total liabilities	26.0	22.0	22.0	25.3
Net assets	493.3	493.3	493.3	492.7
Equity				
Accumulated surplus/(deficit)	43.5	43.5	43.5	43.0
Reserves	278.3	278.3	278.3	278.3
Contributed capital	171.5	171.5	171.5	171.5
Total equity	493.3	493.3	493.3	492.7

Sources: Parliament of Victoria, Victorian Auditor-General's Office, and Department of Treasury and Finance

Note:

(a) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.

Table 3.8.3: Statement of cash flows

(\$ million)

	2013-14 <i>actual</i>	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government ^(a)	164.5	173.4	172.5	174.3
Receipts from other entities	1.9	..	..	..
Other receipts	(0.1)	0.2	0.2	..
Total receipts	166.3	173.6	172.7	174.3
Payments				
Payments to suppliers and employees	(151.5)	(169.5)	(163.7)	(166.0)
Capital asset charge	(2.3)	(2.3)	(2.3)	(3.0)
Interest and other costs of finance paid	(0.1)	(0.2)	(0.1)	(0.1)
Total payments	(154.0)	(172.0)	(166.2)	(169.1)
Net cash flows from/(used in) operating activities	12.3	1.6	6.6	5.2
Cash flows from investing activities				
Net investment ^(a)	..	..	..	..
Payments for non-financial assets	(13.3)	(1.5)	(6.5)	(5.4)
Proceeds from sale of non-financial assets	1.0	..	..	..
Net cash flow from/(used in) investing activities	(12.3)	(1.5)	(6.5)	(5.4)
Cash flows from financing activities				
Repayment of finance leases	(0.1)	0.1	0.1	(0.1)
Net borrowings	0.1	(0.2)	(0.2)	0.3
Net cash flows from/(used in) financing activities	..	(0.1)	(0.1)	0.2
Net increase/(decrease) in cash and cash equivalents	..	..	..	..
Cash and cash equivalents at the beginning of the financial year	..	..	..	..
Cash and cash equivalents at the end of the financial year	..	..	..	..

Sources: Parliament of Victoria, Victorian Auditor-General's Office, and Department of Treasury and Finance

Note:

(a) Figures have been restated to better reflect the nature of related cash flows.

Table 3.8.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2013	41.1	171.5	278.3	..	490.8
Comprehensive result	2.5	..	..	..	2.5
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2014 (actual)	43.5	171.5	278.3	..	493.3
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2015 (budget)^(a)	43.5	171.5	278.3	..	493.3
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2015 (revised)	43.5	171.5	278.3	..	493.3
Comprehensive result	(0.6)	..	..	..	(0.6)
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2016 (budget)	43.0	171.5	278.3	..	492.7

Sources: Parliament of Victoria, Victorian Auditor-General's Office, and Department of Treasury and Finance

Note:

(a) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.

Table 3.8.5: Administered items statement

(\$ million)

	2013-14 actual	2014-15 budget ^(a)	2014-15 revised	2015-16 budget
Administered income				
Sale of goods and services	23.3	23.8	23.8	23.9
Other income	0.1	..	..	..
Total administered income	23.4	23.8	23.8	23.9
Administered expenses				
Payments into the Consolidated Fund	23.4	20.8	20.8	20.0
Total administered expenses	23.4	20.8	20.8	20.0
Income less expenses	..	2.9	2.9	3.9
Net result	..	2.9	2.9	3.9
Other economic flows – other comprehensive income				
Other	1.0	(6.5)	(6.5)	..
Total other economic flows – other comprehensive income	1.0	(6.5)	(6.5)	..
Comprehensive result	1.0	(3.6)	(3.6)	3.9
Administered assets				
Receivables	6.0	2.4	2.4	6.3
Total administered assets	6.0	2.4	2.4	6.3
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	6.0	2.4	2.4	6.3

Sources: Parliament of Victoria, Victorian Auditor-General's Office, and Department of Treasury and Finance

Note:

(a) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balances.

COURTS

Operating performance

Courts is expected to have a balanced net result from transactions for the 2015-16 budget.

Total income from transactions is expected to increase by \$4.9 million from the 2014-15 revised budget to the 2015-16 budget.

The increase is a result of funding for initiatives announced in the *2015-16 Budget*, including:

- Victorian Court safety audit;
- Men's behaviour change programs; and
- Coroners Court Death Review Unit.

Special appropriation revenue is expected to increase by \$6.3 million in 2015-16 to support an independent judiciary.

Increases are offset by a decrease in grants revenue in 2015-16 of \$12.5 million as a result of a one-off budget transfer to Courts from the Department of Justice and Regulation in 2014-15.

Total expenses from transactions are expected to increase by \$4.9 million from the 2014-15 revised budget due to the factors identified above.

Balance sheet

Courts' net asset position is expected to increase by \$47.6 million compared to the 2014-15 revised budget. Net assets in 2015-16 reflect the Government's commitment to build new facilities and other infrastructure across the State, based on modern service models and future growth in demand for services.

The increase in net assets includes expanding the video conferencing network that will deliver a significant increase in the capacity for concurrent calls, reducing the need for people, including prisoners, to physically attend court for hearings. The increase also reflects the asset investment infrastructure announced in previous budgets such as the new Children's Court at Broadmeadows and the Shepparton Court redevelopment with a new purpose-built court complex.

Investing and financing

Payments for non-financial assets in 2015-16 reflect new asset investments such as the expansion of the video conferencing network and the continued implementation of asset investment programs commenced in previous budgets, including the new Children's Court at Broadmeadows and the redevelopment of the Shepparton Court. The investing activity is financed by a net cash inflow from operating activities and a capital contribution from the State Government.

Administered items statement

Transactions administered by Courts include revenue items from special appropriations to award victims who suffer loss of earnings, or are reasonably likely to suffer as a direct result of an act of violence. In addition, Courts collects revenue from court fees and fines.

Table 3.9.1: Comprehensive operating statement^(a)

	(\$ million)			
	2013-14 <i>actual</i>	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	..	306.6	300.6	311.8
Special appropriations	..	131.4	131.4	137.7
Grants	..	16.6	29.1	16.6
Total income from transactions	..	454.6	461.2	466.1
Expenses from transactions				
Employee benefits	..	260.8	262.9	279.9
Depreciation	..	30.2	30.2	31.2
Interest expense	..	11.4	11.4	11.4
Grants and other transfers	..	0.8	0.8	0.3
Capital asset charge	..	40.6	40.6	40.6
Other operating expenses	..	110.8	115.3	102.6
Total expenses from transactions	..	454.6	461.2	466.1
Net result from transactions (net operating balance)
Net result
Comprehensive result

Sources: Courts, and Department of Treasury and Finance

Note:

(a) Courts began operations from 1 July 2014.

Table 3.9.2: Balance sheet^(a)

(\$ million)

	<i>Estimated as at 30 Jun</i>			
	<i>2014 actual</i>	<i>2015 budget</i>	<i>2015 revised</i>	<i>2016 budget</i>
Assets				
Financial assets				
Cash and deposits	..	1.7	1.7	1.7
Receivables	..	46.9	46.9	67.6
Total financial assets	..	48.6	48.6	69.2
Non-financial assets				
Property, plant and equipment	..	813.3	814.8	843.6
Intangible assets	..	28.1	28.1	21.5
Total non-financial assets	..	841.4	842.9	865.0
Total assets	..	890.0	891.5	934.3
Liabilities				
Payables	..	12.1	12.1	12.1
Borrowings	..	104.7	104.7	99.9
Provisions	..	62.8	62.8	62.8
Total liabilities	..	179.6	179.6	174.7
Net assets	..	710.4	711.9	759.5
Equity				
Contributed capital	..	710.4	711.9	759.5
Total equity	..	710.4	711.9	759.5

Sources: Courts, and Department of Treasury and Finance

Note:

(a) Courts began operations from 1 July 2014.

Table 3.9.3: Statement of cash flows^(a)

(\$ million)

	2013-14 actual	2014-15 budget	2014-15 revised	2015-16 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(b)	..	437.1	431.2	428.8
Receipts from other entities	..	14.8	27.4	16.6
Total receipts	..	452.0	458.6	445.4
Payments				
Payments of grants and other transfers	..	(0.8)	(0.8)	(0.3)
Payments to suppliers and employees	..	(371.6)	(378.2)	(382.5)
Capital asset charge	..	(40.6)	(40.6)	(40.6)
Interest and other costs of finance paid	..	(11.4)	(11.4)	(11.4)
Total payments	..	(424.4)	(431.0)	(434.8)
Net cash flows from/(used in) operating activities	..	27.6	27.6	10.6
Cash flows from investing activities				
Net investment ^(b)
Payments for non-financial assets	..	(23.6)	(25.1)	(53.4)
Net cash flow from/(used in) investing activities	..	(23.6)	(25.1)	(53.4)
Cash flows from financing activities				
Owner contributions by State Government	..	2.5	4.0	47.6
Repayment of finance leases	..	(4.8)	(4.8)	(4.8)
Net borrowings	..	(0.1)	(0.1)	(0.1)
Net cash flows from/(used in) financing activities	..	(2.3)	(0.8)	42.8
Net increase/(decrease) in cash and cash equivalents	..	1.7	1.7	..
Cash and cash equivalents at the beginning of the financial year	1.7
Cash and cash equivalents at the end of the financial year	..	1.7	1.7	1.7

Sources: Courts, and Department of Treasury and Finance

Notes:

(a) Courts began operations from 1 July 2014.

(b) Figures have been restated to better reflect the nature of related cash flows.

Table 3.9.4: Statement of changes in equity^(a)

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2013
Comprehensive result
Transactions with owners in their capacity as owners
Closing balance 30 June 2014 (actual)
Comprehensive result
Transactions with owners in their capacity as owners	..	710.4	..	..	710.4
Closing balance 30 June 2015 (budget)	..	710.4	..	..	710.4
Comprehensive result
Transactions with owners in their capacity as owners	..	711.9	..	..	711.9
Closing balance 30 June 2015 (revised)	..	711.9	..	..	711.9
Comprehensive result
Transactions with owners in their capacity as owners	..	47.6	..	..	47.6
Closing balance 30 June 2016 (budget)	..	759.5	..	..	759.5

Sources: Courts, and Department of Treasury and Finance

Note:

(a) Courts began operations from 1 July 2014.

Table 3.9.5: Administered items statement^(a)

(\$ million)

	2013-14 actual	2014-15 budget	2014-15 revised	2015-16 budget
Administered income				
Special Appropriations	..	58.1	58.1	61.6
Sale of goods and services	..	57.1	57.3	57.1
Other income	..	20.9	20.9	20.9
Total administered income	..	136.1	136.3	139.6
Administered expenses				
Expenses on behalf of the State	3.5
Grants and other transfers	..	58.1	58.1	58.1
Payments into the Consolidated Fund	..	78.0	78.2	78.0
Total administered expenses	..	136.1	136.3	139.6
Income less expenses
Net result
Comprehensive result
Administered assets				
Cash and deposits	..	6.8	6.8	6.8
Total administered assets	..	6.8	6.8	6.8
Administered liabilities				
Payables	..	7.2	7.2	7.2
Provisions	..	0.9	0.9	0.9
Total administered liabilities	..	8.0	8.0	8.0
Net assets	..	(1.2)	(1.2)	(1.2)

Sources: Courts, and Department of Treasury and Finance

Note:

(a) Courts began operations from 1 July 2014.

DEPARTMENT OF HUMAN SERVICES

Machinery of government changes effective from 1 January 2015 reallocated the functions of the Department of Human Services to other departments. The financial statements therefore do not include estimates for 2015-16, or closing balances (for balance sheet items) as at 30 June 2015. The 2014-15 revised figures reflect the operations of the Department up to 31 December 2014 and are broadly consistent with original budget expectations for that period.

Operating performance

No significant movements.

Balance sheet

No significant movements.

Investing and financing

No significant movements.

Administered items statement

No significant movements.

Table 3.10.1: Comprehensive operating statement

(\$ million)

	2013-14 actual	2014-15 budget	2014-15 revised ^(a)	2015-16 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	3 609.0	3 779.2	1 997.4	..
Special appropriations	63.9	63.9	32.0	..
Interest	0.3	0.4	0.1	..
Sale of goods and services	19.5	16.3	10.6	..
Grants	11.5	12.0	6.8	..
Fair value of assets and services received free of charge or for nominal consideration	20.2	..	0.1	..
Other income	10.2	0.7	0.9	..
Total income from transactions	3 734.6	3 872.6	2 047.8	..
Expenses from transactions				
Employee benefits	833.2	852.0	420.4	..
Depreciation	34.4	39.6	17.9	..
Interest expense	2.0	2.9	0.7	..
Grants and other transfers	721.7	683.6	382.7	..
Capital asset charge	58.0	60.2	30.1	..
Other operating expenses	2 069.8	2 229.0	1 071.1	..
Total expenses from transactions	3 719.2	3 867.3	1 922.9	..
Net result from transactions (net operating balance)	15.4	5.3	124.9	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(5.1)	(3.8)	(12.3)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	..	..	..	..
Other gains/(losses) from economic flows	(0.3)	(0.1)	(2.0)	..
Total other economic flows included in net result	(5.4)	(3.8)	(14.4)	..
Net result	9.9	1.4	110.5	..
Other economic flows – other comprehensive income				
Asset revaluation reserve	166.3	..	(1.1)	..
Other	0.5	..	(0.3)	..
Total other economic flows – other comprehensive income	166.8	..	(1.4)	..
Comprehensive result	176.7	1.4	109.1	..

Sources: Departments of Health and Human Services, and Treasury and Finance

Notes:

- (a) Figures for the 2014-15 revised reflect actuals for the Department of Human Services as at 31 December 2014. This department ceased to operate from 1 January 2015 and its functions were transferred to the Department of Health and Human Services. The budget for the functions transferred to that department is included in the revised estimates of that department.
- (b) No budget is available for 2015-16 as this department ceased operations from 1 January 2015 and its functions were transferred to the Department of Health and Human Services. The budget for the functions was transferred to that department and is included in the estimates of that department.

Table 3.10.2: Balance sheet

(\$ million)

	Estimated as at 30 Jun			
	2014 actual	2015 budget	2015 revised ^{(a)(b)}	2016 budget ^(a)
Assets				
Financial assets				
Cash and deposits	44.0	51.3	..	..
Receivables	323.8	327.7	..	..
Other financial assets	6.0	6.0	..	..
Total financial assets	373.8	385.0	..	..
Non-financial assets				
Inventories	0.6	0.6	..	..
Non-financial assets classified as held for sale including disposal group assets	0.8	0.8	..	..
Property, plant and equipment	919.1	967.1	..	..
Intangible assets	21.0	27.0	..	..
Other	6.3	6.3	..	..
Total non-financial assets	947.8	1 001.8	..	..
Total assets	1 321.6	1 386.8	..	..
Liabilities				
Payables	200.7	202.3	..	..
Borrowings	43.9	45.4	..	..
Provisions	230.5	249.5	..	..
Total liabilities	475.1	497.2	..	..
Net assets	846.5	889.6	..	..
Equity				
Accumulated surplus/(deficit)	322.0	323.4	..	..
Reserves	607.7	607.7	..	..
Contributed capital	(83.1)	(41.6)	..	..
Total equity	846.5	889.6	..	..

Sources: Departments of Health and Human Services, and Treasury and Finance

Notes:

- (a) This department ceased to operate from 1 January 2015 and its functions were transferred to the Department of Health and Human Services. The budget for the functions transferred to the Department of Health and Human Services is included in the revised estimates of that department.
- (b) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.

Table 3.10.3: Statement of cash flows

(\$ million)

	2013-14 actual	2014-15 budget	2014-15 revised ^(a)	2015-16 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government ^(c)	3 598.9	3 834.1	1 968.6	..
Receipts from other entities	13.0	12.8	7.1	..
Interest received	0.3	0.4	0.1	..
Other receipts	56.8	21.4	5.3	..
Total receipts	3 668.9	3 868.6	1 981.2	..
Payments				
Payments of grants and other transfers	(721.7)	(683.6)	(382.7)	..
Payments to suppliers and employees	(2 839.7)	(3 060.4)	(1 577.9)	..
Capital asset charge	(58.0)	(60.2)	(30.1)	..
Interest and other costs of finance paid	(2.0)	(2.9)	(0.7)	..
Total payments	(3 621.5)	(3 807.0)	(1 991.5)	..
Net cash flows from/(used in) operating activities	47.5	61.6	(10.3)	..
Cash flows from investing activities				
Net investment ^(c)	1.9	..	(2.4)	..
Payments for non-financial assets	(44.6)	(97.4)	(23.4)	..
Proceeds from sale of non-financial assets	10.9	..	4.8	..
Net loans to other parties	..	..	(13.4)	..
Net cash flow from/(used in) investing activities	(31.8)	(97.4)	(34.4)	..
Cash flows from financing activities				
Owner contributions by State Government	30.2	41.6	5.3	..
Repayment of finance leases	(13.8)	..	..	..
Net borrowings	(25.2)	1.5	33.9	..
Net cash flows from/(used in) financing activities	(8.8)	43.1	39.2	..
Net increase/(decrease) in cash and cash equivalents	6.9	7.3	(5.6)	..
Cash and cash equivalents at the beginning of the financial year	37.1	44.0	44.0	..
Cash and cash equivalents at the end of the financial year	44.0	51.3	38.4	..

Sources: Departments of Health and Human Services, and Treasury and Finance

Notes:

- (a) Figures for the 2014-15 revised reflect actuals for the Department of Human Services as at 31 December 2014. This department ceased to operate from 1 January 2015 and its functions were transferred to the Department of Health and Human Services. The budget for the functions transferred to that department is included in the revised estimates of that department.
- (b) No budget is available for 2015-16 as this department ceased operations from 1 January 2015 and its functions were transferred to the Department of Health and Human Services. The budget for the functions transferred to that department is included in the estimates of that department.
- (c) Figures have been restated to better reflect the nature of related cash flows.

Table 3.10.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2013	311.7	(104.7)	439.6	1.7	648.3
Comprehensive result	10.3	..	166.3	0.2	176.7
Transactions with owners in their capacity as owners	..	21.6	..	..	21.6
Closing balance 30 June 2014 (actual)	322.0	(83.1)	605.8	1.9	846.5
Comprehensive result	1.4	..	..	..	1.4
Transactions with owners in their capacity as owners	..	41.6	..	..	41.6
Closing balance 30 June 2015 (budget)^(a)	323.4	(41.6)	605.8	1.9	889.6
Comprehensive result	110.3	..	(1.1)	(0.1)	109.1
Transactions with owners in their capacity as owners	..	5.4	..	..	5.4
Closing balance 31 December 2014 (actual)^(b)	432.3	(77.7)	604.7	1.8	961.0

Sources: Departments of Health and Human Services, and Treasury and Finance

Notes:

(a) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.

(b) The Department of Human Services ceased to operate from 1 January 2015 and its functions were transferred to the Department of Health and Human Services.

Table 3.10.5: Administered items statement

(\$ million)

	2013-14 actual	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(c)
Administered income				
Sale of goods and services	16.5	29.8	13.6	..
Grants	10.1	3.1	1.1	..
Other income	0.9	0.8	1.0	..
Total administered income	27.5	33.7	15.7	..
Administered expenses				
Expenses on behalf of the State	5.8	0.8	0.4	..
Grants and other transfers	1.9	..	0.1	..
Payments into the Consolidated Fund	28.8	39.1	20.6	..
Total administered expenses	36.5	39.9	21.1	..
Income less expenses	(9.0)	(6.3)	(5.4)	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	0.2	6.3	0.1	..
Other gains/(losses) from other economic flows	0.1	..	(0.1)	..
Total other economic flows included in net result	0.3	6.3	..	..
Net result	(8.7)	..	(5.4)	..
Other	..	..	..	..
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	(8.7)	..	(5.4)	..
Administered assets				
Cash and deposits	0.6	0.6	..	..
Receivables	4.7	4.7	..	..
Other financial assets	1.3	1.3	..	..
Total administered assets	6.6	6.6	..	..
Administered liabilities				
Provisions	4.6	4.6	..	..
Total administered liabilities	4.6	4.6	..	..
Net assets	2.0	2.0	..	..

Sources: Departments of Health and Human Services, and Treasury and Finance

Notes:

- (a) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balances.
- (b) Figures for the 2014-15 revised reflect estimates for the Department of Human Services as at 31 December 2014. This department ceased to operate from 1 January 2015 and its functions were transferred to the Department of Health and Human Services. The budget for the functions transferred to that department is included in the revised estimates of that department.
- (c) No budget is available for 2015-16 as this department ceased operations from 1 January 2015 and its functions were transferred to the Department of Health and Human Services. The budget for the functions transferred to that department is included in the estimates of that department.

DEPARTMENT OF TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE

Machinery of government changes effective from 1 January 2015 reallocated the functions of the Department of Transport, Planning and Local Infrastructure to other departments. The financial statements therefore do not include estimates for 2015-16 budget, and closing balances (for balance sheet items) as at 30 June 2015. The 2014-15 revised budget figures reflect the operations of the Department up to 31 December 2014 and are broadly consistent with original budget expectations for that period.

Operating performance

No significant movements.

Balance sheet

Major movements in total assets include constructing new roads, public transport and sporting infrastructure, as highlighted below.

Investing and financing

Cash flows from operating activities are consistent with normal business operations.

The expected investment in property, plant and equipment in 2014-15 reflects approved cash flows for existing road, public transport and sport related assets projects, including:

- Western Highway Duplication – Ballarat to Stawell;
- the *Road Safety Strategy 2013-22*; and
- tram procurement and supporting infrastructure.

Administered items statement

Transactions administered by the Department on behalf of the State in 2014-15 include collecting of road and public transport regulatory fees and fines revenues, Commonwealth financial assistance payments to local government and collecting fees and charges for land title transactions. The 2014-15 revised budget also progressively recognises concession fees paid in advance by Transurban under the CityLink contract.

Administered expenses are affected by the items outlined above.

Table 3.11.1: Comprehensive operating statement

(\$ million)

	2013-14 actual	2014-15 budget	2014-15 revised ^(a)	2015-16 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	5 325.1	5 692.2	2 872.0	..
Special appropriations	16.7	13.9	9.8	..
Interest	8.7	6.5	4.1	..
Sale of goods and services	686.0	396.2	225.7	..
Grants	305.5	305.7	154.5	..
Fair value of assets and services received free of charge or for nominal consideration	64.0	..	0.4	..
Other income	136.9	113.6	78.5	..
Total income from transactions	6 543.0	6 528.1	3 344.9	..
Expenses from transactions				
Employee benefits	488.0	483.5	246.3	..
Depreciation	642.8	665.4	320.5	..
Interest expense	132.9	130.7	65.6	..
Grants and other transfers	2 294.1	2 390.1	1 215.5	..
Capital asset charge	87.6	88.6	40.1	..
Other operating expenses	2 813.9	2 586.4	1 279.3	..
Total expenses from transactions	6 459.3	6 344.7	3 167.4	..
Net result from transactions (net operating balance)	83.7	183.3	177.6	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(49.5)	0.7	(100.7)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(0.4)	(0.1)	..	..
Other gains/(losses) from economic flows	(1.1)	..	(2.7)	..
Total other economic flows included in net result	(51.0)	0.7	(103.4)	..
Net result	32.7	184.0	74.1	..
Other economic flows – other comprehensive income				
Asset revaluation reserve	135.7	3 922.2	..	..
Other	37.5	(2.5)	(8.3)	..
Total other economic flows – other comprehensive income	173.2	3 919.7	(8.3)	..
Comprehensive result	205.9	4 103.7	65.8	..

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

- (a) Figures for the 2014-15 revised reflects actuals for the Department of Transport, Planning and Local Infrastructure as at 31 December 2014. This department ceased to operate from 1 January 2015 and its functions were transferred to other departments. The budget for the functions transferred to other departments is included in the revised estimates of those departments.
- (b) No budget is available for 2015-16 as this department ceased operations from 1 January 2015 and its functions were transferred to other departments. The budget for the functions transferred to other departments is included in the estimates of those departments.

Table 3.11.2: Balance sheet

(\$ million)

	Estimated as at 30 Jun			
	2014 actual	2015 budget	2015 revised ^{(a)(b)}	2016 budget ^(b)
Assets				
Financial assets				
Cash and deposits	1 098.5	1 453.2	..	..
Receivables	922.8	918.6	..	..
Other financial assets	19.8	19.8	..	..
Investments accounted for using equity method	9.0	9.0	..	..
Total financial assets	2 050.2	2 400.6	..	..
Non-financial assets				
Inventories	23.8	23.8	..	..
Property, plant and equipment	47 711.4	52 163.1	..	..
Investment properties	67.7	67.7	..	..
Intangible assets	149.9	138.0	..	..
Other	7.6	7.6	..	..
Total non-financial assets	47 960.4	52 400.2	..	..
Total assets	50 010.6	54 800.8	..	..
Liabilities				
Payables	1 102.7	1 094.4	..	..
Borrowings	1 294.9	1 297.8	..	..
Provisions	527.3	551.1	..	..
Total liabilities	2 924.9	2 943.3	..	..
Net assets	47 085.7	51 857.5	..	..
Equity				
Accumulated surplus/(deficit)	16 965.9	17 147.4	..	..
Reserves	13 434.2	17 356.4	..	..
Contributed capital	16 685.6	17 353.7	..	..
Total equity	47 085.7	51 857.5	..	..

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

- (a) The 2015 budget figures have been restated to reflect the 2014 actual closing balances.
- (b) This department ceased to operate from 1 January 2015 and its functions transferred to other departments. The budget for the functions transferred to other departments is included in the revised estimates of those departments.

Table 3.11.3: Statement of cash flows

(\$ million)

	2013-14 actual	2014-15 budget	2014-15 revised ^(a)	2015-16 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government ^(c)	5 310.0	5 709.8	2 882.4	..
Receipts from other entities	962.3	732.5	433.4	..
Interest received	8.7	6.5	4.0	..
Other receipts	138.4	83.0	31.7	..
Total receipts	6 419.5	6 531.7	3 351.6	..
Payments				
Payments of grants and other transfers	(2 315.4)	(2 390.1)	(1 234.9)	..
Payments to suppliers and employees	(3 370.5)	(3 046.6)	(1 629.5)	..
Capital asset charge	(87.6)	(88.6)	(40.1)	..
Interest and other costs of finance paid	(133.9)	(131.4)	(65.7)	..
Total payments	(5 907.4)	(5 656.7)	(2 970.2)	..
Net cash flows from/(used in) operating activities	512.1	875.0	381.4	..
Cash flows from investing activities				
Net investment ^(c)	30.2	..	(6.0)	..
Payments for non-financial assets	(1 571.2)	(2 262.2)	(893.4)	..
Proceeds from sale of non-financial assets	26.0	10.7	3.4	..
Net loans to other parties	(8.9)	1.1	1.4	..
Net (purchase)/disposal of investments – policy purposes	6.4	..	(3.0)	..
Net cash flow from/(used in) investing activities	(1 517.6)	(2 250.3)	(897.7)	..
Cash flows from financing activities				
Owner contributions by State Government	1 071.5	1 764.1	576.5	..
Repayment of finance leases	(30.3)	(33.3)	(15.1)	..
Net borrowings	58.9	(0.7)	(90.1)	..
Net cash flows from/(used in) financing activities	1 100.1	1 730.0	471.2	..
Net increase/(decrease) in cash and cash equivalents	94.6	354.7	(45.2)	..
Cash and cash equivalents at the beginning of the financial year	1 003.9	1 098.5	1 098.5	..
Cash and cash equivalents at the end of the financial year	1 098.5	1 453.2	1 053.4	..

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

- (a) Figures for the 2014-15 revised reflect actuals for the Department of Transport, Planning and Local Infrastructure as at 31 December 2014. This department ceased to operate from 1 January 2015 and its functions were transferred to other departments. The budget for the functions transferred to other departments is included in the revised estimates of those departments.
- (b) No budget is available for 2015-16 as this department ceased operations from 1 January 2015 and its functions were transferred to other departments. The budget for the functions transferred to other departments is included in the estimates of those departments.
- (c) Figures have been restated to better reflect the nature of related cash flows.

Table 3.11.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2013	16 895.8	16 472.3	13 298.4	..	46 666.4
Comprehensive result	70.2	..	135.7	..	205.9
Transactions with owners in their capacity as owners	..	213.3	..	..	213.3
Closing balance 30 June 2014 (actual)	16 965.9	16 685.6	13 434.2	..	47 085.7
Comprehensive result	181.5	..	3 922.2	..	4 103.7
Transactions with owners in their capacity as owners	..	668.1	..	..	668.1
Closing balance 30 June 2015 (budget)^(a)	17 147.4	17 353.7	17 356.4	..	51 857.5
Comprehensive result	65.8	..	..	..	65.8
Transactions with owners in their capacity as owners	..	244.7	..	..	244.7
Closing balance 31 December 2014 (actual)^(b)	17 031.7	16 930.3	13 434.2	..	47 396.2

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

(a) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balances.

(b) The Department of Transport, Planning and Local Infrastructure ceased to operate from 1 January 2015 and its functions were transferred to other departments.

Table 3.11.5: Administered items statement

(\$ million)

	2013-14 actual	2014-15 budget ^(a)	2014-15 revised ^(b)	2015-16 budget ^(c)
Administered income				
Appropriations – payments made on behalf of the State	0.2	0.9	..	..
Sale of goods and services	460.2	438.6	244.9	..
Grants	300.2	570.4	271.3	..
Other income	2 077.2	2 269.7	1 150.1	..
Total administered income	2 837.7	3 279.6	1 666.3	..
Administered expenses				
Expenses on behalf of the State	32.1	49.9	16.2	..
Grants and other transfers	300.2	571.3	271.5	..
Payments into the Consolidated Fund	2 484.5	2 662.5	1 466.7	..
Total administered expenses	2 816.9	3 283.7	1 754.5	..
Income less expenses	20.8	(4.1)	(88.2)	..
Other economic flows included in net result				
Other gains/(losses) from other economic flows	(15.0)	(14.2)	(7.7)	..
Total other economic flows included in net result	(15.0)	(14.2)	(7.7)	..
Net result	5.9	(18.3)	(95.8)	..
Total other economic flows – other comprehensive income	84.2	..	110.9	..
Comprehensive result	90.1	(18.3)	15.1	..
Administered assets				
Cash and deposits	9.5	9.5	..	..
Receivables	66.3	66.3	..	..
Total administered assets	75.7	75.7	..	..
Administered liabilities				
Payables	352.6	351.9	..	..
Total administered liabilities	352.6	351.9	..	..
Net assets	(276.8)	(276.1)	..	..

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

- (a) The 2014-15 budget figures have been restated to reflect the 2013-14 actual closing balances.
- (b) Figures for the 2014-15 revised reflect actuals for the Department of Transport, Planning and Local Infrastructure as at 31 December 2014 for operating statement items. This department ceased to operate from 1 January 2015 and its functions were transferred to other departments. The budget for the functions transferred to other departments is included in the revised estimates of those departments.
- (c) No budget is available for 2015-16 as this department ceased operations from 1 January 2015 and its functions were transferred to other departments. The budget for the functions transferred to other departments is included in the estimates of those departments.

Table 3.11.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2014-15 budget</i>	<i>2014-15 revised^(a)</i>	<i>2015-16 budget^(b)</i>
Anzac Day administered trust	0.9	..	..
Total	0.9	..	..

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Notes:

- (a) This department ceased to operate from 1 January 2015 and its functions transferred to other departments. The budget for the functions transferred to other departments is included in the revised estimates of those departments.
- (b) No budget is available for 2015-16 as this department ceased operations from 1 January 2015 and its functions were transferred to other departments. The budget for the functions transferred to other departments is included in the estimates of those departments.

CHAPTER 4 – STATE REVENUE

This chapter outlines expected movements in the major categories of general government revenue between 2014-15 and 2018-19. The revenue forecasts are closely linked to growth in key macroeconomic variables outlined in Budget Paper No. 2, Chapter 2 *Economic Context* and to the general economic environment envisaged in the outlook.

Table 4.1: General government sector revenue

	(\$ million)				
	2014-15 revised	2015-16 budget	2016-17 estimate	2017-18 estimate	2018-19 estimate
Taxation revenue	18 273.9	19 024.5	19 804.5	20 402.8	21 339.6
Grants	24 584.3	25 579.5	26 089.6	27 507.6	28 605.4
Sales of goods and services	6 525.5	6 779.1	6 908.9	7 016.3	7 025.7
Dividends, income tax equivalent and rate equivalent revenue	1 025.5	1 144.3	988.8	1 011.8	1 052.4
Interest revenue	824.6	830.8	852.6	862.6	866.8
Other revenue	2 308.7	2 170.6	2 249.4	2 235.4	2 289.1
Total revenue from transactions	53 542.4	55 528.7	56 893.9	59 036.6	61 179.1

Source: Department of Treasury and Finance

Total revenue from transactions is expected to grow by 3.7 per cent to \$55.5 billion in 2015-16, and is expected to grow moderately by an average of 3.3 per cent a year over the forward estimates. Weaker demand in the economy and low price growth has driven revenue growth down from an average of 6.3 per cent over the last 10 years.

Total state taxes are expected to increase by 4.1 per cent to \$19.0 billion in 2015-16 and grow by an average of 3.9 per cent a year over the forward estimates. The strong property market is driving land transfer duty and land tax higher in 2014-15 and 2015-16. This is partially offset by weaker revenue growth in gambling taxes due to relatively soft growth in nominal income. As the economy picks up over the forward estimates, income and demand growth is expected to recover.

GST revenue, which makes up about 50 per cent of Victoria's grants revenue, is forecast to be \$12.8 billion in 2015-16, up 6.3 per cent from 2014-15, driven by growth in the national GST pool and an increase in Victoria's expected share of total GST collections.

Commonwealth grants for specific purposes are projected to increase by 1.7 per cent to \$12.7 billion in 2015-16. Grant revenue is expected to fall in 2016-17 primarily due to the agreed transfer of responsibilities under the Home and Community Care National Partnership from Victoria to the Commonwealth. Growth is expected to slow from 2017-18 onwards due to the Commonwealth's decision to reduce funding growth for the Health Reform and Schools funding agreements.

TAXATION

Tax revenue is forecast to be \$19.0 billion in 2015-16 and is expected to grow by an average of 4.0 per cent a year over the budget and the forward estimates. This growth rate is below the average of 5.3 per cent in the past decade.

Land transfer duty is expected to be stronger in 2015-16 than previously forecast, driven by historically low interest rates and significant investor and commercial activity in the property market pushing up demand and the number of transactions. However, stronger land transfer duty and land tax is currently masking weakness in other sources of taxation revenue.

Continued geopolitical uncertainty in Europe and the Middle East, volatility in financial markets and slowing growth in China are weighing on the domestic economic environment. The prices of Australian commodity exports have fallen on the back of slowing Chinese industrial demand and, in the case of iron ore, significant increases in global supply. Australia's terms of trade has fallen as a result. These global forces have cut domestic income and are weighing on investment and consumption. Wage and price growth are also subdued. This combination of weak real and nominal income growth is currently limiting growth in Victoria's income and consumption tax bases.

Responding to the weak global and domestic environment, the Reserve Bank of Australia cut interest rates in February 2015, the first change since August 2013. This may fuel further growth in Victoria's property market, presenting upside risk to land transfer duty in the short term. Over the forward estimates, property tax revenue growth is expected to be more subdued as the property cycle matures.

The recent depreciation in the Australian dollar and lower interest rates, combined with improvements in asset prices and household wealth, will aid Australia's and Victoria's transition to stronger and more balanced growth. This will support revenue collected from income and consumption-based taxes.

Table 4.2: Taxation estimates

(\$ million)

	2014-15 <i>revised</i>	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Taxes on employers' payroll and labour force	5 091.7	5 407.5	5 758.0	6 085.9	6 426.7
Taxes on property					
Land tax	1 795.7	1 769.7	2 006.4	1 958.4	2 219.6
Congestion levy	121.6	120.2	123.4	126.5	129.8
Land transfer duty	4 886.2	5 028.1	5 128.8	5 194.4	5 259.6
Other property duties	1.7	1.9	2.0	2.2	2.3
Metropolitan improvement levy	145.7	150.8	157.4	158.0	158.0
Metropolitan planning levy	..	17.1	17.1	17.1	17.1
Fire Services Property Levy ^(a)	585.8	627.9	631.8	644.7	662.3
Financial accommodation levy	129.4	151.4	156.5	171.8	191.1
Growth areas infrastructure contribution	102.6	108.3	114.2	120.5	127.2
	7 768.8	7 975.4	8 337.7	8 393.6	8 767.0
Gambling taxes					
Public lotteries	407.9	420.7	438.3	457.5	478.1
Electronic gaming machines	1 067.2	1 087.7	1 112.1	1 139.8	1 144.4
Casino	210.6	240.3	246.5	254.5	262.9
Racing	82.3	82.8	82.0	82.6	81.8
Other	23.1	29.9	38.1	48.6	61.8
	1 791.1	1 861.3	1 917.0	1 983.0	2 029.1
Levies on statutory corporations	112.0	112.0	..	..	..
Taxes on insurance					
Non-life insurance	919.5	972.1	1 042.1	1 116.8	1 198.2
Life insurance	0.3	..	..	..	..
Duty on compulsory third party premiums	175.2	184.2	192.5	201.4	210.7
Insurance contributions to fire brigades	2.0	..	..	..	..
	1 096.9	1 156.2	1 234.6	1 318.1	1 408.9
Motor vehicle taxes					
Vehicle registration fees	1 393.3	1 458.9	1 558.2	1 616.4	1 677.8
Duty on vehicle registrations and transfers	714.9	743.3	765.7	788.8	812.4
	2 108.2	2 202.2	2 324.0	2 405.2	2 490.3
Other taxes					
Liquor licence fees	22.6	21.9	22.6	23.2	23.9
Landfill levy	172.7	174.4	175.9	158.9	158.9
Transport fees	109.9	113.5	34.9	34.9	34.9
	305.2	309.9	233.4	217.0	217.6
Total taxation	18 273.9	19 024.5	19 804.5	20 402.8	21 339.6

Source: Department of Treasury and Finance

Note:

(a) The Fire Services Property Levy funds the recurrent budgets of the MFB and CFA. Election commitments in the Labor Financial Statement 2014 and training provided to firefighters to battle coal mine fires are funded from general revenue.

Land transfer duty

Land transfer duty revenue is expected to be around \$5.0 billion in 2015-16. Recent strength in the property market continued in the first quarter of 2015, with revenue expected to grow by 17 per cent in 2014-15, following 27 per cent growth in 2013-14. The current upswing, which started in mid-2013, reflects strong demand from owner-occupiers and investors in both residential and commercial markets, supported by historically low interest rates.

As upward momentum of the current cycle builds, so does the likelihood of a correction, as has been the case in past property cycles. For example, the early 2000s cycle saw quarterly revenue increase by 92 per cent from early 2001 to late 2003, followed by a decline of 5 per cent over the next five quarters. Between mid-2005 and early 2008, quarterly land transfer duty revenue grew by 67 per cent, but was followed by a 26 per cent drop in revenue over nine months, as the immediate effects of the global financial crisis began to impact Australia.

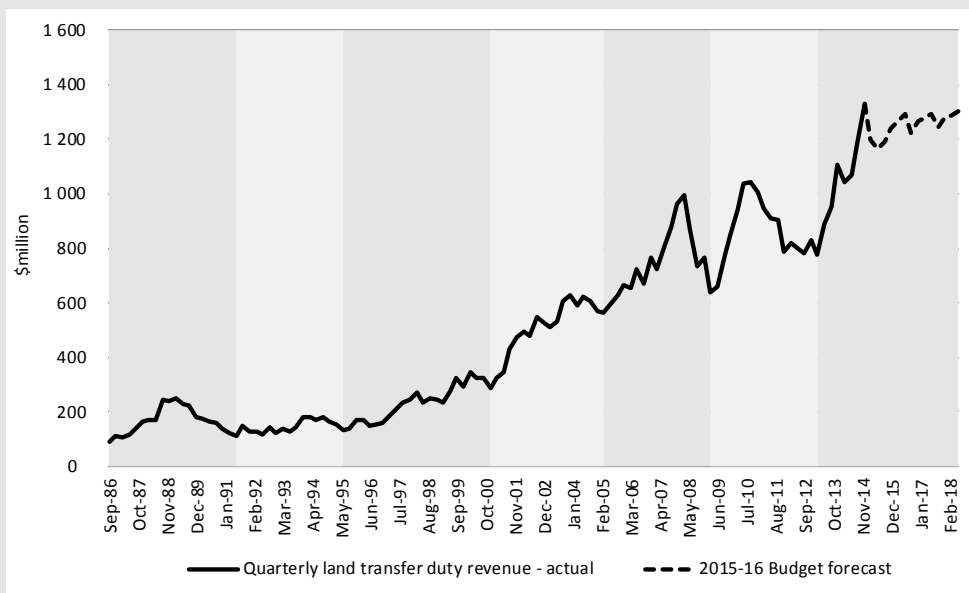
Importantly, land transfer duty follows the property market cycle and is characterised by large increases in revenue during periods of strong growth, reflecting increases in property prices and transactions, followed by periods of negative or flat growth in revenue.

These forecasts incorporate the risk of a period of flatter revenue growth, by adopting sub-trend revenue growth from 2015-16 onwards. Box 4.1 outlines this approach in the context of past property market cycles.

Box 4.1: Land transfer duty forecasts in the context of past property cycles

Victoria’s property market has experienced up to six cycles in the past 25 years. These range from strong periods of growth in the late 1980s followed by the downturn of the 1990s recession, to the rise and fall of housing activity around the time of the global financial crisis. These have all served to create significant volatility in land transfer duty collections, one of the State’s largest sources of revenue. The shaded areas in Chart 4.1 show past property market cycles creating peaks and troughs in land transfer duty revenue.

Chart 4.1: Land transfer duty over recent property market cycles



Source: Department of Treasury and Finance

While past property market cycles differ in their underlying economic drivers, there is a consistent pattern that periods of strong growth have generally been followed by shorter periods of flat or negative growth, causing land transfer duty revenue to fluctuate around its long-run upward trend.

From mid-2013, revenue has been growing strongly. With low interest rates and Victoria’s population growing robustly, there is no obvious trigger that would cause an immediate property market correction. Property prices and transactions continue to grow solidly, although the rate of growth in some forward indicators slowed in late 2014.

Importantly, the longer the current upswing in the property market lasts the greater is the likelihood a slowdown will emerge.

Chart 4.1 shows a flatter period of revenue growth is forecast from 2015-16 onwards to account for the risks of a slowdown, as has followed past periods of accelerated growth. This approach appropriately balances risks and is prudent in the context of the four-year government budgeting process.

On the upside, Australian financial conditions remain very accommodative, and Victoria is well placed to benefit from a transition towards broader drivers of growth in the national economy, underpinning further growth in the property market.

On the downside, house prices have already risen considerably at a time when income growth has been slowing, pushing up household leverage. This could limit the potential for further growth in the property market, noting that investors have been an important driver of growth.

Subdued global growth prospects are leading to lower worldwide spending and growth, and could see further cuts to Australian growth. Global macroeconomic risks have decreased slightly since 2014, as the likelihood of a recession in the euro area has decreased, and along with it, the risk of deflation. But financial and geopolitical risks have increased. If large relative price changes and exchange rate movements continue, this could create further financial risks. For Australia, an exacerbation of these risks could trigger a global confidence shock or a hard landing in China. While low-probability, this would be a high impact event, quickly translating into lower asset prices in Australia.

Land tax

Land tax revenue in 2015-16 is forecast to be around \$1.8 billion. The strong property market is expected to drive solid land tax revenue growth, as increased investor and business holdings of property mean that a larger portion of Victoria's stock of land is now subject to land tax (as principal places of residence are exempt from land tax).

Greater compliance activity by the State Revenue Office to ensure only genuine owner-occupiers receive the land tax primary place of residence exemption is also contributing to increased revenue.

From 2016-17 onwards, land value growth is expected to slow to a rate that aligns more closely with nominal economic growth. This is consistent with more subdued property market activity across the forward estimates.

Growth Areas Infrastructure Contribution

Revenue from the Growth Areas Infrastructure Contribution is expected to be around \$108 million in 2015-16, and is assumed to grow by an average of 5.5 per cent over the forward estimates, broadly in line with projected nominal economic growth. Development in the urban growth areas has gathered pace. In part, this reflects property prices increasing in Melbourne's inner areas, with buyers turning towards more affordable housing in the growth areas. Development activity is expected to be strong as more precinct structure plans for the urban growth areas are completed.

Payroll tax

Payroll tax revenue is expected to be \$5.4 billion in 2015-16. While employment growth has strengthened since mid-2014, much of this has been concentrated in part-time jobs. Aggregate hours worked, which aligns closely with payroll tax revenue, experienced little growth, as detailed in Box 4.2.

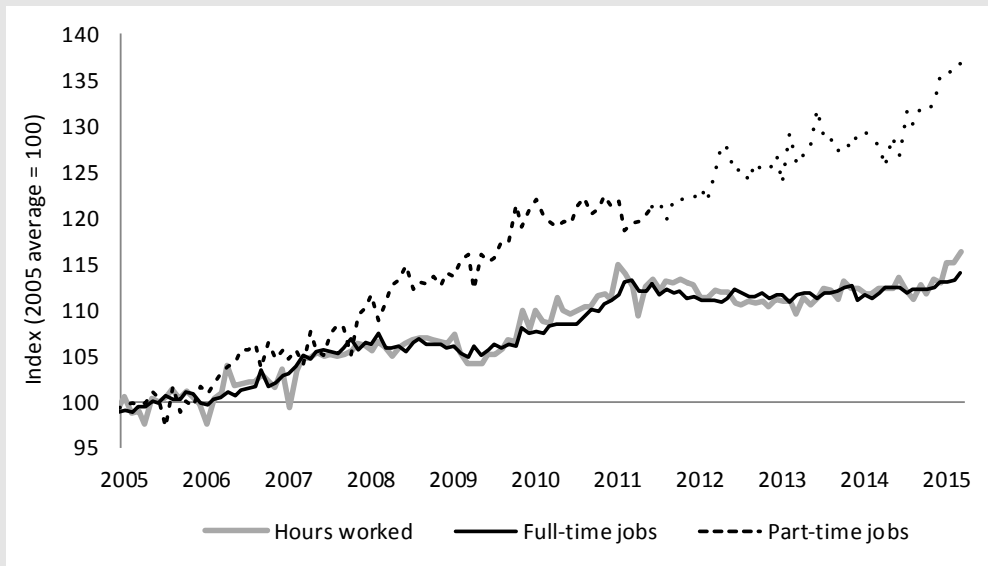
Payroll tax collections to date suggest that in the near term, a recovery in hours worked will be delayed. Nevertheless, over the forward estimates, full-time employment and hours worked are expected to increase as the economy returns to trend growth.

Box 4.2: Divergence between employment and aggregate hours worked

In the years since the global financial crisis of 2008-09, the long-run relationship between total employment and payroll tax revenue has diverged. While Victoria has seen a strong upswing in total employment since mid-2014, there has not been an equivalent rise in payroll tax revenue.

Contributing to the divergence between employment and payroll tax growth is the recent concentration of employment growth in part-time jobs. Since the global financial crisis, part-time growth has outpaced growth in full-time hours, contributing to below-trend growth in payroll tax since 2011-12 (Chart 4.2).

Chart 4.2: Indexed growth in employment and hours worked, Victoria



Source: Department of Treasury and Finance

As Budget Paper No. 2, Chapter 3 *The Jobs Challenge* discusses, the period following the global financial crisis has seen weakness in Victoria's labour market. This has been characterised by growing spare capacity and relatively high levels of unemployment. Victoria's trend underemployment rate increased to 9.6 per cent in February 2015, the highest rate recorded in the history of the series, which began in 1978.

Further illustrating the emergence of spare capacity in the labour market, aggregate hours worked in Victoria have been effectively flat over the past four years despite strong population growth. As a result, average hours worked per Victorian aged 15 years and over has fallen sharply, towards levels not seen since the recessions of the early 1980s and 1990s.

Structural changes in hiring practices and industry composition may also have contributed to the current disconnect between employment growth and payroll tax revenue. This reflects that most employment growth in recent years has been in industries which are generally exempt from payroll tax, such as health and education. Meanwhile, growth in previously strong sectors which are not exempt, such as manufacturing and construction, has slowed. This is exacerbated as exempt industries are generally less sensitive to the weak income and consumption growth seen since the global financial crisis. For example, demand for education and health services will grow broadly in line with population and is less vulnerable to cyclical fluctuations.

Gambling taxes

Gambling tax revenue is forecast to be around \$1.9 billion in 2015-16 and will grow by an average of 2.9 per cent a year over the forward estimates. The level of gambling tax revenue is weaker than previously forecast reflecting general weakness in nominal consumption expenditure. Gambling expenditure as a share of total household consumption is also declining, weighing down revenue growth over the forward estimates.

In 2015-16, an estimated 78 per cent of total gambling revenue will be transferred to the Hospitals and Charities Fund, the Mental Health Fund and the Community Support Fund, including funding for the Victorian Responsible Gambling Foundation, with the remaining revenue available for general government purposes.

Insurance taxes

Insurance taxes are expected to generate \$1.2 billion in revenue in 2015-16. Increased competition in the domestic general insurance market, due to a growing number of low-cost and overseas insurers, continues to put downward pressure on premiums.

This has reduced insurance tax revenue growth to 5.4 per cent in 2015-16. Growth is then expected to increase to an average of 6.8 per cent a year over the forward estimates, consistent with trend growth.

Motor vehicle taxes

Motor vehicle taxes are expected to generate \$2.2 billion in 2015-16 and grow by an average of 4.2 per cent a year over the forward estimates, broadly in line with its trend growth rate. Motor vehicle purchases do not appear to have been significantly affected by recent weakness in income growth, supporting growth in motor vehicle duty revenue.

Details of specific revenue measures since the *2014-15 Budget Update* are contained in Budget Paper No. 3, Chapter 1 *Output, asset investment, savings and revenue initiatives*.

GRANTS

Total grants revenue is expected to be \$25.6 billion in 2015-16, an increase of 4.0 per cent from 2014-15. Growth in total grants revenue is largely driven by GST revenue, which benefits from an improvement in Victoria's GST share for 2015-16. The Commonwealth Government's decision to reduce funding growth for the Health Reform and Schools funding agreements slows growth in specific purpose grants from 2017-18.

Table 4.3: Grants

	<i>(\$ million)</i>				
	<i>2014-15 revised</i>	<i>2015-16 budget</i>	<i>2016-17 estimate</i>	<i>2017-18 estimate</i>	<i>2018-19 estimate</i>
General purpose grants - goods and services tax	12 012.9	12 769.9	13 351.5	14 401.3	15 842.5
Specific purpose grants for on-passing	3 216.1	3 388.7	3 601.4	3 798.5	3 966.8
Other grants for specific purposes	9 232.2	9 269.5	8 980.6	9 159.5	8 649.2
Total	24 461.2	25 428.1	25 933.5	27 359.2	28 458.5
Other contributions and grants	123.0	151.4	156.1	148.4	146.9
Total grants	24 584.3	25 579.5	26 089.6	27 507.6	28 605.4

Source: Department of Treasury and Finance

General purpose grants

Victoria's GST revenue for 2015-16 is forecast to be \$12.8 billion, representing growth of 6.3 per cent from 2014-15. This growth is driven by an increase in Victoria's GST relativity and an expected recovery in the growth rate of the national GST pool from relatively subdued growth in 2014-15.

Victoria's GST revenue is determined by three factors:

- the amount of GST collected by the Commonwealth (the national GST pool);
- Victoria's share of this pool, (its relativity); and
- Victoria's population.

Box 4.3 provides a detailed discussion of recent developments in the national GST pool and how this is shared among the states.

National GST pool

The national GST pool is expected to be \$57.3 billion in 2015-16, growing 5.7 per cent from 2014-15 on the back of a rebound in consumer prices as petrol prices recover from a decline in the second half of 2014-15.

National dwelling investment, which is also subject to GST, has grown strongly at 8.1 per cent in the year to December 2014 and is expected to continue providing support to growth in the national pool in 2015-16.

GST relativities

Victoria's GST relativity will increase in 2015-16 for the first time since 2012-13, reflecting changes to the way the Commonwealth Grants Commission (CGC) calculates the relativities.

Table 4.4: Victoria's forecast GST relativities and share

	(\$ million)				
	2014-15	2015-16	2016-17	2017-18	2018-19
	actual	estimate	estimate	estimate	estimate
Victoria's relativity ^(a)	0.88282	0.89254	0.88362	0.90272	0.94133
GST share (%) ^(b)	22.0	22.3	22.1	22.6	23.5
Victoria's population share (%) ^(b)	24.9	24.9	24.9	24.9	25.0

Source: Commonwealth Grants Commission and Department of Treasury and Finance

Notes:

(a) Victoria's GST relativity for 2015-16 has been recommended by the CGC and is subject to formal determination by the Commonwealth Treasurer.

(b) The figures for GST and population shares for 2014-15 are estimates.

In April 2015, the Commonwealth Treasurer released the *2015 Methodology Review of GST Revenue Sharing Relativities*, a review of the methodology used to calculate GST relativities for the states and territories. Overall, changes to the methodology are favourable for Victoria's GST revenue in 2015-16. The main changes include:

- recognition of the additional costs of providing complex transport infrastructure in large urban areas. This is the single biggest driver of change in Victoria's GST share recommended by the review; and
- alignment of the treatment of Commonwealth payments for the Regional Rail Link with payments for National Network Road construction, which attract an effective 50 per cent equalisation discount.

The largest upgrade to revenue from the changes is in 2015-16, with revenue benefits diminishing over the forward estimates.

The outlook for Victoria's share of the GST is also positively affected by expected changes in states' fiscal capacities due to forecast mining royalties. Expected growth in commodity export volumes, particularly in Western Australia and Queensland, has placed Victoria's share of the GST on an upwards trajectory.

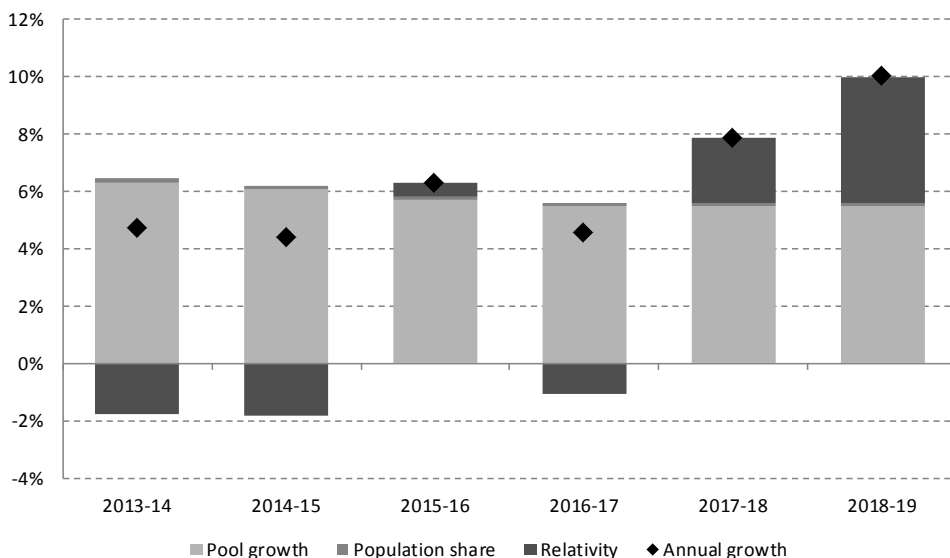
However, recent developments in commodity markets have significantly reduced forecasts of mining royalties in the forward estimates, most notably those for iron ore in Western Australia. The iron ore spot price has fallen by around 28 per cent in the first quarter of 2015 alone. The weaker outlook for commodity prices has in turn reduced the extent of the forecast increase in Victoria's relativities across the forward estimates.

Population

Victoria's population is forecast to grow by 1.8 per cent in 2015-16, in line with expected growth in 2014-15.

Chart 4.3 shows the expected percentage point contribution from changes in the national pool, Victoria's relativity and population to growth in GST revenue across the budget and forward estimates.

Chart 4.3: Forecast contribution to growth in Victorian GST revenue



Source: Department of Treasury and Finance

Box 4.3: Recent developments in the GST

The GST represents around 23 per cent of Victoria's total revenue base. As a tax on consumption, GST collections mirror changes in spending patterns and broader developments in the national economy. Consumption represents a little over half of expenditure on Australian GDP, and around 60 per cent of Victorian GSP.

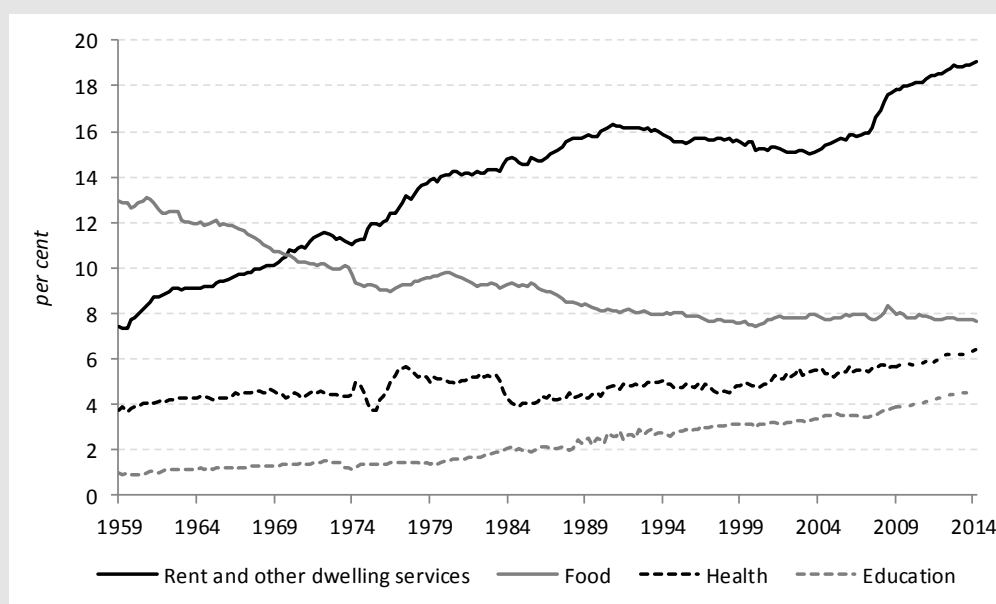
Two major economic shocks have driven changes in consumption patterns and the GST in recent history. First, the surge in income paid to Australia by the rest of the world for our commodity exports led to strong income and consumption growth for most of the 2000s. Second, the global financial crisis in 2008-09 saw consumption plummet and precautionary savings soar.

Victoria's GST revenue has been affected primarily through two channels; the volume of GST collected nationally and changes to Victoria's share of these collections.

In the seven years preceding the global financial crisis, growth in the national GST pool averaged 8.3 per cent a year. This was a period characterised by strong growth in real incomes and household wealth along with increasingly tight labour and product markets. During this period, the household savings rate steadily declined to around zero. This was driven by a number of factors, including an increased availability of credit, falling real interest rates, more stable economic outcomes and rising asset prices.

There were also changes in the type of goods and services households were consuming. Importantly for the national GST pool, this period was characterised by a strong property market which pushed up rents. Spending on health and education also rose strongly as a proportion of consumption (Chart 4.4). These categories are exempt from GST.

Chart 4.4: GST exempt categories share of household final consumption expenditure, current prices



Source: Australian Bureau of Statistics, Department of Treasury and Finance

The rise of China and other emerging market economies drove a large increase in demand for the key commodity exports from Australia. The increase in demand saw prices surge to record highs and increases in mining royalties for Western Australia and Queensland. This has had a significant impact on the distribution of GST among the states. The resource rich states have gained overall from the mining boom, both in terms of revenue and investment activity, despite the fact a share has been redistributed to other states through GST revenue.

The GST is distributed among the states in a way that aims to place states on a level fiscal playing field and ensure states have an equal capacity to deliver services. Major revenue sources, including mining royalties, are assessed as part of the GST distribution methodology. Consequently, the sharp increase in royalties over the last decade has significantly increased the fiscal capacity of the resource rich states and their share of GST has fallen.

Around 2010, commodity prices peaked and massive investment in new capacity began to come on line, not just in Australia but around the world. The subsequent decline in commodity prices has driven significant declines in mining royalties, particularly for Western Australia, although this has been partially offset by strong growth in export volumes. Australia's terms of trade has also declined sharply and this is putting downward pressure on national income growth.

Following the global financial crisis, the prospect of lower income growth has seen household consumption decline and a sharp rise in precautionary saving in an effort to rebuild wealth. The increased saving has moderated growth in the GST pool which has averaged 4.4 per cent a year.

Specific Purpose Grants for on-passing

Table 4.5 summarises estimates of grants from the Commonwealth that are passed on to other entities. Growth in specific purpose grants for on-passing in 2015-16 reflects an increase in education funding for non-government schools with funding for local government flat.

Table 4.5: Grants for on-passing

	(\$ million)		
	2014-15 revised	2015-16 budget	Change % ^(a)
Commonwealth Government grants to local government			
<i>Financial assistance grants to local government (operating)</i>			
An equal per capita basis is used for distributing total assistance to the states and territories pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .	393.7	393.9	..
<i>Identified local roads grants to local government</i>			
Funding to local councils is provided on a per capita and road length basis pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .	145.0	145.0	..
Students First – A fairer funding agreement for schools			
Support for school services.			
<i>Non-government schools</i>	2 677.4	2 849.8	6.4
Total grants for on-passing	3 216.1	3 388.7	5.4

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2014-15 and 2015-16.

Grants for specific purposes

Table 4.6 lists Commonwealth grants for specific purposes, with detailed tables by expenditure category provided in Tables 4.7 to 4.13. Tied grants are expected to grow slightly in 2015-16, reflecting growth in most categories, partially offset by infrastructure and affordable housing grants.

Table 4.6: Grants for specific purposes

	(\$ million)		
	2014-15 <i>revised</i>	2015-16 <i>budget</i>	Change % ^(a)
Affordable housing	362.2	330.1	(8.9)
Community services	374.3	414.6	10.8
Education	1 816.6	1 884.4	3.7
Environment	285.9	318.3	11.3
Health	4 476.0	4 705.8	5.1
Infrastructure	962.4	686.3	(28.7)
Contingent/Other	954.6	930.1	(2.6)
Total grants for specific purposes	9 232.2	9 269.5	0.4

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2014-15 and 2015-16.

Table 4.7: Payments for affordable housing

(\$ million)

	2014-15 revised	2015-16 budget	Change % ^(a)
National Affordable Housing Agreement			
Funding for affordable, safe and sustainable housing that contributes to economic and social participation in the community.	324.4	330.1	1.7
National Partnerships			
<i>Transitional National Partnership Agreement on Homelessness^(b)</i>			
This National Partnership replaced the National Partnership Agreement on Homelessness. The focus is on maintaining the current level of services to assist people who are homeless or at risk of homelessness achieve sustainable housing and social inclusion while a longer term reform plan is developed.	22.8	..	(100.0)
<i>Remote Indigenous Housing^(c)</i>			
Funding to improve housing conditions and help close the gap in life outcomes between Indigenous and non-Indigenous Australians.	15.0	..	(100.0)
Other	..	..	n.a.
Total affordable housing	362.2	330.1	(8.9)

Source: Department of Treasury and Finance

Notes:

(a) Per cent change between 2014-15 and 2015-16.

(b) Currently a one-off grant pending further negotiations with the Commonwealth.

(c) One-off payment for early conclusion of National Partnership Agreement on Remote Indigenous Housing

Table 4.8: Payments for community services

	<i>\$ million</i>		
	<i>2014-15 revised</i>	<i>2015-16 budget</i>	<i>Change %^(a)</i>
<i>National Disability Agreement</i>			
Funding to ensure that people with a disability and their carers have an enhanced quality of life and participate as valued members of the community.	347.4	361.6	4.1
<i>National Partnerships</i>			
<i>Assistance to States for Disability Care Australia</i>	..	21.3	n.a.
<i>Pay equity for the social and community services sector</i>			
Funding for the Commonwealth's share of wage increases arising from Fair Work Australia's decision to grant an Equal Remuneration Order in the social and community services sector.	23.9	28.5	19.5
Other	3.1	3.1	2.5
Total community services	374.3	414.6	10.8

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2014-15 and 2015-16.

Table 4.9: Payments for education services

(\$ million)

	2014-15 revised	2015-16 budget	Change % ^(a)
Students First - A fairer funding agreement for schools			
Support for school services			
<i>Government schools</i>	1 224.5	1 334.4	9.0
National Agreement for Skills and Workforce Development			
The National Agreement for Skills and Workforce Development provides funding for the delivery of training services.			
	356.8	363.0	1.7
National Partnerships			
<i>Early childhood education</i>			
Funding to assist Victoria meet the Council of Australian Government's target of access to 15 hours of early childhood education a week for all children.			
	85.9	68.2	(20.7)
<i>Skills for all Australians – Skills Reform</i>			
Funding to support long-term reform in the vocational education and training sector. This National Partnership replaces the <i>Productivity Places</i> Program.			
	93.9	93.9	0.1
<i>Trade training centres in schools</i>			
Funding to build new or upgrade existing trade or vocational education and training facilities in secondary schools.			
	18.8	12.0	(36.2)
<i>More Support for Students with Disabilities</i>			
This initiative strengthens the capacity of schools and teachers to support students with disabilities, improving student learning experiences and educational outcomes.			
<i>Government schools</i>	11.1	..	(100.0)
<i>Non-government schools</i>	3.2	..	(100.0)
<i>National Quality Agenda on Early Childhood Education and Care</i>			
Funding for the establishment of a jointly governed and unified National Quality Framework which aims to improve the quality of early childhood services.			
	6.9	..	(100.0)
<i>School Chaplaincy Program</i>			
Funding to assist schools engage the services of a school chaplain to support the emotional wellbeing of students by providing pastoral care services and strategies that support the emotional wellbeing of the broader school community.			
	12.6	12.6	..
Other	3.0	0.3	(88.6)
Total education services	1 816.6	1 884.4	3.7

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2014-15 and 2015-16.

Table 4.10: Payments for environment services

(\$ million)

	2014-15 revised	2015-16 budget	Change % ^(a)
National Partnerships			
<i>Water for the Future</i>			
This represents a long-term Commonwealth initiative to better balance the water needs of communities, farmers and the environment. It contains a suite of urban and rural policies and programs, including significant funding for water purchasing, irrigation modernisation, desalination, recycling and stormwater capture.			
	59.6	66.0	10.9
<i>Goulburn-Murray Water Connections Project Trust</i>			
Funding for the Goulburn-Murray Connections Project to modernise, upgrade and improve the efficiency of the irrigation network in Northern Victoria.			
	179.9	211.0	17.3
Other payments to the State			
<i>National Landcare Programme Regional Allocations</i>			
Funding to help communities, farmers and other land managers protect the natural environment.			
	26.0	19.9	(23.3)
Other	20.5	21.3	4.2
Total environment services	285.9	318.3	11.3

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2014-15 and 2015-16.

Table 4.11: Payments for health services

(\$ million)

	2014-15 revised	2015-16 budget	Change % ^(a)
National Health Reform Agreement			
The National Health Reform Agreement sets out the shared intention of the Commonwealth, state and territory governments to work in partnership for all Australians and ensure the sustainability of the Australian health system.	3 829.1	4 069.4	6.3
National Partnerships			
<i>Essential Vaccines</i>			
Funding is provided to the <i>Essential Vaccines Program</i> to deliver immunisation programs, reducing the incidence of vaccine preventable diseases.	60.1	37.3	(37.9)
<i>Victorian Comprehensive Cancer Centre</i>			
Funding to develop the Victorian Comprehensive Cancer Centre. The Centre will drive innovation in cancer treatment and research.	67.0	50.0	(25.4)
<i>Treating More Public Dental Patients</i>			
Funding for public dental services to Victorians on public dental waiting lists.	31.9	..	(100.0)
<i>Aged Care Assessment</i>			
Funding for the Aged Care Assessment Program to assess the needs of frail, older people and assist them to gain access to the most appropriate types of health and aged care.	26.0	27.9	7.5
<i>Victorian Cytology Service</i>			
Funding for the Victorian Cytology Service to prevent morbidity and mortality from cervical cancer amongst Victorian women.	8.9	9.4	5.1
COAG — National Health and Hospitals Reform			
<i>Home and Community Care</i>			
The Home and Community Care Program delivers integrated home and community care services to frail older people, people with disabilities and their carers.	408.8	441.6	8.0
<i>Supporting National Mental Health Reform</i>			
Funding to deliver improved health, social, economic and housing outcomes for people with severe and persistent mental illness.	9.5	7.6	(19.7)
<i>National Reform Agenda for Organ and Tissue Donation</i>			
Funding to increase Australians' access to organ and tissue transplants.	8.6	8.5	(1.8)
Other	26.2	54.1	106.9
Total health services	4 476.0	4 705.8	5.1

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2014-15 and 2015-16.

Table 4.12: Payments for infrastructure services

(\$ million)

	2014-15 revised	2015-16 budget	Change % ^(a)
National Partnerships			
<i>Regional Rail Link</i>			
In May 2009 the Commonwealth Government announced its contribution of \$3.2 billion to the Regional Rail Link project.			
	331.0	..	(100.0)
<i>Commonwealth Infrastructure Investment Programme</i>			
In 2014, the State and Commonwealth Governments signed a National Partnership Agreement on Land Transport Infrastructure Projects for agreed road and rail projects to be delivered under the Commonwealth Infrastructure Investment Programme. The agreement covers Commonwealth funding contributions to Victoria for agreed projects from 2014-15 to 2018-19.			
	494.4	327.5	(33.8)
Other payments to the State			
<i>Interstate Road Transport</i>			
The Federal Interstate Registration Scheme (FIRS) levies registration charges on vehicles engaged in interstate trade and commerce. The Commonwealth Government pays a share of revenue collected under the FIRS to states and territories, to cover the costs of maintenance and upkeep on roads used by these motor vehicles.			
	19.0	19.0	..
Other ^(b)	118.0	339.8	188.0
Total infrastructure services	962.4	686.3	(28.7)

Source: Department of Treasury and Finance

Notes:

(a) Per cent change between 2014-15 and 2015-16.

(b) Includes funding previously committed to the East West Link. Negotiations are in progress with the Commonwealth Government on the allocation of the funding to other infrastructure projects.

Table 4.13: Payments for contingent and other services

(\$ million)

	2014-15 revised	2015-16 budget	Change % ^(a)
National Partnerships			
<i>Victoria Legal Aid</i>			
Funding for a share of the service delivery costs of Victoria Legal Aid on Commonwealth law matters.	45.8	46.6	1.7
<i>National Disaster Resilience Program</i>			
Funding to identify and address natural disaster risk priorities across the nation. Funding is provided by the Commonwealth for initiatives to create safer and sustainable communities by better enabling them to withstand the effects of floods, storms, fires and other natural disasters.	6.3	4.2	(33.3)
<i>Natural Disaster Relief</i>			
Funding for natural disasters declared in Victoria. The grants are driven by claims following bushfires around the beginning of 2015 and previous flood and storm events.	38.2	..	(100.0)
Other	864.3	879.3	1.7
Total other services	954.6	930.1	(2.6)

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2014-15 and 2015-16.

SALES OF GOODS AND SERVICES

Revenue for the sales of goods and services is expected to grow by 3.9 per cent in 2015-16 to \$6.8 billion, before growth moderates to an average of 1.2 per cent a year over the forward estimates. The movement in sales of goods and services in 2015-16 is largely driven by an increase in the capital asset charge from VicTrack reflecting an increase in the capital asset base for which there is an offset in grant expenses.

Table 4.14: Sales of goods and services

	(\$ million)				
	2014-15 <i>revised</i>	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Motor vehicle regulatory fees	232.6	228.6	204.6	180.2	191.7
Other regulatory fees	473.5	501.1	511.4	522.8	527.9
Sale of goods	73.6	68.6	67.9	68.7	69.4
Provision of services ^(a)	4 029.3	4 114.0	4 108.4	4 180.5	4 150.6
Rental	59.6	59.4	59.5	59.5	59.5
Refunds and reimbursements	69.7	55.5	55.5	55.5	55.5
Inter-sector capital asset charge	1 587.2	1 751.8	1 901.6	1 949.2	1 971.2
Total sales of goods and services	6 525.5	6 779.1	6 908.9	7 016.3	7 025.7

Source: Department of Treasury and Finance

Note:

(a) Further disclosure on provision of services by department is available on the Department of Treasury and Finance's website.

DIVIDENDS, INCOME TAX EQUIVALENT AND RATE EQUIVALENT REVENUE

This category comprises dividends, income tax and rate equivalent revenue received by the State from government business enterprises. Details are shown in Table 4.15.

Dividends, income tax and rate equivalent revenue is projected to be \$1.1 billion in 2015-16, an increase of 11.6 per cent from 2014-15. The movement in revenue in 2015-16 is largely driven by the improved performance from the Public Financial Corporation (PFC) sector.

Consistent with previous commitments, the Government is not taking a dividend from WorkSafe Victoria across the budget and forward estimates. Instead, accumulated surpluses will be used to fund improvements to benefits for injured workers, lower premiums for Victorian businesses and programs to improve workplace safety and the health of the Victorian workforce. The Government has convened a WorkHealth advisory group to advise how best to meet these commitments before returning monies to the State in future years.

Table 4.15: Dividends, income tax equivalent and rate equivalent revenue

(\$ million)

	2014-15 <i>revised</i>	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Dividends	844.0	849.6	733.3	730.0	577.5
Income tax equivalent revenue	175.1	287.1	251.9	276.9	463.8
Local government rate equivalent revenue	6.3	7.5	3.7	4.9	11.0
Total dividends, income tax equivalent and rate equivalent revenue	1 025.5	1 144.3	988.8	1 011.8	1 052.4

Source: Department of Treasury and Finance

INTEREST REVENUE

Interest revenue is earned on holdings of cash and deposits across a number of general government sector agencies, including departments, hospitals and schools.

Interest revenue is expected to be \$831 million in 2015-16, and grow by an average of 1.4 per cent a year over the forward estimates.

OTHER REVENUE

Other revenue includes fines, donations and gifts and royalties, these are shown in Table 4.16. Other revenue is projected to be \$2.2 billion in 2015-16 and grow by an average of 1.8 per cent a year across the forward estimates.

Table 4.16: Other revenue

(\$ million)

	2014-15 <i>revised</i>	2015-16 <i>budget</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>
Fines					
Road safety camera fines	338.1	345.8	353.5	361.5	369.6
Police on-the-spot fines	177.2	181.2	185.3	189.4	193.7
Toll road evasion fines	149.6	153.0	156.4	159.9	163.5
Non-traffic statutory and court fines	90.8	97.4	104.1	105.8	105.5
Total fines	755.7	777.3	799.3	816.7	832.4
Fair value of assets received free of charge or for nominal consideration	95.4	61.6	61.8	61.5	59.5
Royalties	51.3	51.2	51.1	51.1	51.1
Donations and gifts	305.5	304.2	345.9	299.5	301.7
Other non-property rental	20.1	20.3	20.4	20.4	20.4
Other miscellaneous revenue	1 080.7	956.0	971.0	986.2	1 024.1
Total other revenue	2 308.7	2 170.6	2 249.4	2 235.4	2 289.1

Source: Department of Treasury and Finance

CHAPTER 5 – TAX EXPENDITURES AND CONCESSIONS

Tax expenditures and concessions are important because they represent foregone revenue to the State. They may take a number of different forms, for example, concessions, benefits and incentives delivered through the tax system. Regardless of form, they provide preferential financial benefit for certain taxpayers, activities or assets compared with normal taxation treatment.

TAX EXPENDITURES

Over the past decade, the State has foregone \$35.1 billion in revenue in the form of tax expenditures (excluding tax thresholds). In 2015-16, tax expenditures are forecast to be \$5.1 billion, around a third of which will accrue to property owners.

Tax expenditures outlined below can include tax-free thresholds, exemptions or reduced rates, and deductions or rebates of a tax for a certain type of taxpayer, activity or asset.

Tax expenditures are estimated by taking the difference between the reduced tax paid by a person or entity receiving preferential treatment and the tax paid by similar taxpayers who do not receive that treatment. They exclude benefits arising from broadly applicable marginal tax rates as part of a tax scale.

This Budget introduces two new tax concessions to reduce the motor vehicle costs associated with running a business in Victoria. These tax expenditures apply from 2015-16:

- a 50 per cent discount to the vehicle registration fee for trade apprentices who use their car for work; and
- an exemption from motor vehicle stamp duty for vehicles classified as mobile plant (under 4.5 tonnes) and plant based special purpose vehicles (over 4.5 tonnes).

Table 5.1 shows aggregate tax expenditure estimates by the main tax categories for the period 2013-14 to 2018-19, excluding the effect of tax free thresholds for land tax and payroll tax, which are available to the entire community. In estimating tax expenditures, the simplifying assumption is made that taxpayer behaviour is unchanged by the concession.

Growth in the value of Victorian aggregate tax expenditures is largely determined by the growth profile of land tax expenditures. The biennial revaluation cycle drives growth in land tax expenditures. For example, a revaluation year such as 2014-15, sees strong growth in expenditures, with more muted growth in the following year, in this case 2015-16.

Table 5.1: Estimates of aggregate tax expenditures (excluding thresholds) by type of tax^(a)

<i>Description</i>	<i>(\$ million)</i>					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Land tax	2 479.0	2 987.8	2 924.7	3 315.8	3 236.5	3 668.3
Fire Services Property Levy	21.4	21.6	21.9	22.1	22.3	22.6
Payroll tax	1 064.0	1 084.3	1 152.1	1 227.0	1 297.4	1 370.6
Gambling tax	70.9	74.4	75.1	76.6	78.1	75.8
Motor vehicle taxes ^(b)	144.5	163.0	174.6	187.8	194.8	202.0
Land transfer duties	697.1	730.1	748.6	763.7	776.8	790.0
Congestion levy	25.3	42.7	43.9	45.1	46.3	47.5
Total estimated tax expenditures	4 502.2	5 103.9	5 140.7	5 638.1	5 652.2	6 176.8

Source: Department of Treasury and Finance

Note:

- (a) *Tax expenditures associated with thresholds are excluded due to the different nature of these expenditures to other taxation expenditures. Expenditures are benefits that target certain taxpayers or activities, whereas thresholds exclude transactions below a certain size.*
- (b) *From 1 July 2015, mobile plants and plant based special purpose vehicles will be exempt from motor vehicle stamp duty. Apprentices who use their vehicles for work will be eligible for discounted vehicle registration fee from 1 January 2016.*

Policy changes announced in previous budgets have also affected the 2014-15 tax expenditures estimates. In particular, the congestion levy now applies to a larger area from 1 January 2015 with these new parking spaces taxed at a concessional rate of \$950 per car space per year, relative to \$1 340 for inner city car spaces. In addition, the stamp duty concession for first homebuyers increased from 40 per cent to 50 per cent on 1 September 2014.

Table 5.2 lists a breakdown of the aggregate tax expenditures that can be costed by type of tax. As noted, the 2014 revaluation cycle has led to strong growth in the land tax expenditures in 2014-15. There has also been stronger than usual growth in land tax expenditures relating to land held by Government and local councils. The implementation of the Fire Services Property Levy resulted in non-rateable land being subject to the biennial revaluation process, improving the data available to estimate land tax expenditures. Prior to this, estimating these tax expenditures relied on a number of simplified assumptions.

Table 5.2: Estimates of Tax expenditures that can be costed (including thresholds)

<i>Description</i>	<i>(\$ million)</i>					
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Land tax						
Crown property (right of Victoria)	227.5	395.4	387.1	438.8	428.4	485.5
Principal place of residence	1 221.7	1 369.3	1 340.4	1 519.6	1 483.3	1 681.1
Land held in trust for public or municipal purposes or vested in any municipality	123.2	207.0	202.6	229.7	224.2	254.1
Land used by charitable institutions	80.7	137.8	134.9	152.9	149.2	169.2
Commonwealth land	194.5	211.8	207.3	235.0	229.4	260.0
Land used for primary production	348.9	363.3	355.6	403.1	393.5	446.0
Land vested in public statutory authorities	165.3	170.3	166.7	189.0	184.5	209.1
Land used for the CityLink network	23.5	25.6	25.1	28.4	27.8	31.5
Assessment on a single holding basis for land owned by a municipality	6.0	11.4	11.1	12.6	12.3	14.0
Partial exemption for non-profit organisations solely for social, sporting, cultural or literary purposes; or horse, pony or harness racing	5.8	8.8	8.6	9.7	9.5	10.8
Assessment on a single holding basis for land owned by charities	11.7	17.5	17.1	19.4	19.0	21.5
Retirement villages	19.2	21.1	20.6	23.4	22.8	25.9
Non-profit organisations providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	35.2	30.6	29.9	33.9	33.1	37.5
Land tax exemption for friendly societies	0.2	0.3	0.3	0.3	0.3	0.3
Associations of ex-servicemen	0.6	2.0	2.0	2.3	2.2	2.5
Aggregated site value below tax-free threshold	69.9	70.5	69.0	78.3	76.4	86.6
Caravan parks	4.4	5.0	4.9	5.5	5.4	6.1
Residential care facilities	8.5	9.6	9.4	10.7	10.4	11.8
Low cost accommodation	1.7	0.8	0.7	0.8	0.8	0.9
Land tax exemption for mining	0.4	0.3	0.3	0.4	0.4	0.4
Total land tax expenditures	2 548.9	3 058.3	2 993.7	3 394.0	3 312.9	3 754.8
Fire Services Property Levy						
Fire Services Property Levy concession for pensioners and Department of Veteran Affairs cardholders	21.4	21.6	21.9	22.1	22.3	22.6
Total Fire Services Property Levy expenditures	21.4	21.6	21.9	22.1	22.3	22.6

Tale 5.2: Estimates of Tax expenditures that can be costed (including thresholds)
(continued)

(\$ million)

Description	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Payroll Tax						
Wages paid by public hospitals	341.3	347.5	369.1	393.0	415.4	438.7
Wages paid by public benevolent institutions/charities	274.5	279.5	296.9	316.1	334.1	352.8
Wages paid by non-profit non-government schools	151.4	154.2	163.8	174.4	184.3	194.7
Commonwealth departments/agencies (excluding transport and communication)	78.9	81.2	86.2	91.8	97.0	102.5
Wages paid by non-profit hospitals	34.9	35.5	37.7	40.2	42.5	44.8
Municipal councils (not wages for trading activities)	139.5	142.1	150.9	160.7	169.8	179.3
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986</i> (Commonwealth)	15.9	15.8	17.4	18.9	20.6	22.5
Religious institutions	2.6	2.7	2.9	3.0	3.2	3.4
Construction industry leave entitlements paid by CoINVEST	3.8	3.9	4.1	4.4	4.6	4.9
Paid maternity leave	20.5	21.1	22.5	23.7	25.0	26.3
Wages paid to employees participating in voluntary emergency service work	0.6	0.7	0.7	0.7	0.8	0.8
Employers' payroll below \$550 000	1 981.8	2 043.9	2 138.2	2 245.9	2 358.8	2 477.4
Total payroll tax expenditures	3 045.8	3 128.2	3 290.3	3 472.8	3 656.2	3 848.0
Congestion levy tax						
Residential	2.9	8.2	8.4	8.6	8.8	9.1
Commercial and private	22.4	34.5	35.5	36.5	37.5	38.4
Total congestion levy tax expenditures	25.3	42.7	43.9	45.1	46.3	47.5
Gambling tax						
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	70.9	74.4	75.1	76.6	78.1	75.8
Total gambling tax expenditures	70.9	74.4	75.1	76.6	78.1	75.8

Tale 5.2: Estimates of Tax expenditures that can be costed (including thresholds)
(continued)

(\$ million)

Description	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Motor vehicle taxes						
Discounted registration fee for vehicles operated by Health Care Card holders and pensioners	100.6	116.8	122.5	130.9	137.0	143.5
Discounted registration fee for vehicles operated by totally and permanently Incapacitated persons	1.5	1.7	1.8	1.9	2.0	2.1
Discounted registration fee for light vehicles operated by primary producers	6.5	6.9	7.2	7.7	7.7	7.8
Discounted registration fee for heavy vehicles operated by primary producers	33.8	35.0	36.4	38.8	38.8	38.8
Discounted registration for hybrid or electric cars	2.1	2.6	3.1	3.6	4.1	4.6
Discounted registration fee for trade apprentices	..	..	0.9	2.2	2.2	2.3
Stamp duty exemption on mobile plant registration	..	..	2.7	2.8	2.9	3.0
Total motor vehicle taxes expenditures	144.5	163.0	174.6	187.8	194.8	202.0
Land transfer duties						
Land transfer duty concession for first homebuyers of properties valued up to \$600 000	133.1	164.3	167.8	170.3	172.0	173.7
Land transfer duty concession for farmers under 35 years of age	1.0	1.2	2.0	2.0	2.0	2.0
Stamp duty for corporate reconstruction	357.0	333.7	343.1	352.1	361.2	370.2
Conveyance duty concession for pensioners and concession cardholders	87.1	118.2	120.7	122.5	123.7	124.9
Stamp duty for principal place of residence	119.0	112.7	115.1	116.8	118.0	119.2
Total land transfer duties expenditures	697.1	730.1	748.6	763.7	776.8	790.0
Total estimated tax expenditures	6 553.9	7 218.3	7 348.0	7 962.2	8 087.4	8 740.8

Source: Department of Treasury and Finance

Table 5.3 shows the ratio of tax expenditures to revenue by the main categories of tax. Overall, the ratio is relatively unchanged at 27 per cent in 2015-16, compared to 28 per cent in 2014-15.

Table 5.3: Estimated aggregate tax expenditures (excluding thresholds) and tax revenue in 2015-16^(a)

(\$ million)

<i>Description</i>	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	2 924.7	1 769.7	1.65
Payroll tax	1 152.1	5 407.5	0.21
Gambling tax	75.1	1 861.3	0.04
Motor vehicle taxes	174.6	2 202.2	0.08
Land transfer duties	748.6	5 028.1	0.15
Congestion levy	43.9	120.2	0.36
Fire Services Property Levy	21.9	627.9	0.03
Other/miscellaneous	..	2 007.5	..
Total for items estimated	5 140.7	19 024.5	0.27

Source: Department of Treasury and Finance

Note:

(a) Tax expenditures associated with thresholds are excluded due to the different nature of these expenditures to other taxation expenditures. Expenditures are benefits that target certain taxpayers or activities, whereas thresholds exclude transactions below a certain size.

Table 5.4 provides an estimate of tax expenditures for groups of potential taxpayers based on the legal incidence of state taxes.

The largest beneficiaries of Victorian tax expenditures are property owners, mainly in the form of the primary place of residence being exempt from land tax. Revenue foregone for this group is expected to be around \$1 633 million in 2015-16.

Table 5.4: Estimated aggregate tax expenditures (excluding thresholds) classified by persons or entities affected^(a)

<i>Description</i>	<i>(\$ million)</i>					
	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>
Business not elsewhere included	426.7	423.4	437.5	453.6	464.8	481.5
Construction industry	3.8	3.9	4.1	4.4	4.6	4.9
Charitable organisations other than religious institutions	366.9	434.8	448.9	488.4	502.3	543.4
Educational institutions	151.4	154.2	163.8	174.4	184.3	194.7
Gambling clubs	70.9	74.4	75.1	76.6	78.1	75.8
Commonwealth and State Governments	666.2	858.7	847.3	954.7	939.3	1 057.1
Local government	268.8	360.4	364.6	403.0	406.3	447.4
Hospitals	376.2	383.1	406.8	433.2	457.9	483.5
Pensioners/concession cardholders	230.3	281.4	289.5	303.0	310.1	321.4
Property owners	1 483.9	1 656.7	1 633.4	1 818.2	1 784.5	1 986.8
Primary producers	390.2	406.4	401.1	451.6	442.0	494.6
Religious institutions	2.6	2.7	2.9	3.0	3.2	3.4
Sporting, recreation and cultural organisations	41.0	39.4	38.5	43.7	42.6	48.3
Other	23.3	24.4	27.1	30.2	32.1	33.9
Total for items estimated	4 502.2	5 103.9	5 140.7	5 638.1	5 652.2	6 176.8

Source: Department of Treasury and Finance

Note:

(a) Tax expenditures associated with thresholds are excluded due to the different nature of these expenditures to other taxation expenditures. Expenditures are benefits that target certain taxpayers or activities, whereas thresholds exclude transactions below a certain size.

CONCESSIONS

Concessions are a direct budget outlay or reduction in government charges that have the effect of reducing the price of a good or service for particular groups. Over the past decade, the State has provided \$13.3 billion in concessions expenditure.

Certain characteristics of the consumer, such as possession of a Commonwealth Government pension card or Health Care Card, are the basis for entitlement. Concessions allow certain groups in the community to access or purchase important amenities like energy, education, health and transportation at a reduced or zero cost.

Chart 5.1 shows the estimated distribution of concessions by category for 2015-16. The two largest concession categories account for more than two thirds of total concessions:

- health (including ambulance, dental and community health programs); and
- energy, municipal rates, water and sewerage.

Chart 5.1: Estimated concessions by category 2015-16

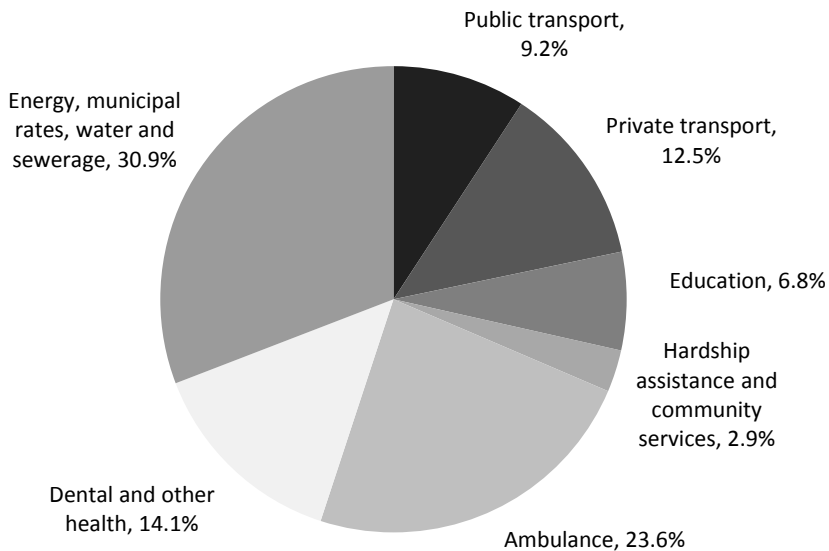


Table 5.5 classifies the major concessions by category.

Eligible concession card holders receive reduced bills for energy, municipal rates, water and sewerage, funded by the State and paid to service providers.

Education concessions include concessions for preschool and for vocational education and training.

Hardship schemes include the Utility Relief Grants Scheme and payment to State Trustees through a Community Service Agreement. The Utility Relief Grants Scheme assists Victorians unable to pay utility bills due to temporary financial crisis. State Trustees provide trustee services, including managing the legal and financial affairs of Victorians unable to do so independently.

The social and community services category includes assistance to non-profit organisations such as the Bereavement Assistance Limited, the Charity Freight Service and food relief organisations.

Private transport concessions consist of a discount on Transport Accident Commission premiums and funding of the Multi Purpose Taxi Program.

Table 5.5: Concessions by category^(a)

(\$ million)

Description	2013-14	2014-15	2015-16
Electricity ^(b)	176.0	151.2	169.1
Mains gas	58.3	55.4	62.0
Municipal rates	88.4	90.6	93.9
Water and sewerage	156.2	159.2	167.9
Total energy, municipal rates, water and sewerage	478.9	456.4	492.9
Ambulance ^(c)	389.3	365.5	377.2
Dental services and spectacles ^(d)	163.9	148.3	119.9
Community health programs	100.7	103.1	105.2
Total health	653.9	617.0	602.3
Education^(e)	99.7	83.8	108.7
Hardship schemes	37.5	37.2	41.5
Social and community services	5.1	5.0	5.0
Private transport	181.4	192.4	199.6
Public transport	134.9	141.0	147.3
Total for items estimated	1 591.4	1 532.6	1 597.3

Source: Department of Treasury and Finance

Notes:

- (a) Some concessions are unable to be directly measured and are estimates only (including 2013-14).
- (b) Electricity and gas concession expenditures are expected to be lower in 2014-15 due to the impact of the repeal of the carbon tax on energy prices, and an adjustment to the way energy retailers calculate concessions. These concessions are forecast to grow in line with energy prices and demand growth in 2015-16.
- (c) The ambulance concession reflects the State's contribution for free ambulance services for Community Service Obligation patients. From 2014-15, the contribution from the Commonwealth Department of Veteran's Affairs will now be provided directly to Ambulance Victoria and is not included in these figures. Prior to 2014-15, this contribution was paid to the State and included in this data.
- (d) The lower expenditure in 2014-15 is due to adjustments by the Commonwealth in the timing of their payments, but did not impact on service delivery. The 2015-16 concession expenditure excludes the proposed new Adult Public Dental Services National Partnership Agreement funding as negotiations with the Commonwealth have not yet commenced at time of publication and funding under the previous agreement lapses.
- (e) From 1 January 2015 the Education Maintenance Allowance was discontinued in its current form, with its funding redirected to equity funding for schools as part of the Resourcing Schools to Raise Performance initiative, announced in the 2014-15 Budget. The 2015-16 Budget also includes new funding for a range of initiatives to help address the additional costs of school education.

CHAPTER 6 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

This chapter contains information on contingent assets and liabilities for the general government sector and should be read in conjunction with Chapter 1.

CONTINGENT ASSETS

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable. The table below contains quantifiable contingent assets as at May 2015, based on current information.

Table 6.1: Quantifiable contingent assets

(\$ million)

	<i>As at Dec 2014 ^(a)</i>	<i>As at May 2015</i>
Guarantees, indemnities and warranties	6.4	6.8
Legal proceedings and disputes	6.8	4.5
Other ^(b)	100.7	105.4
Total contingent assets	113.9	116.7

Notes:

(a) As published in the 2014-15 Budget Update.

(b) Other contingent assets mainly consists of \$100 million relating to the second contingent payment for Crown Melbourne licence amendments that may be payable in calendar year 2022. The first contingent payment of \$100 million has been factored into the State's estimates over the Casino licence period following an assessment of the likelihood of the State receiving that payment.

Non-quantifiable contingent assets

CityLink compensable enhancement claims

The Melbourne CityLink Concession Deed contains compensable enhancement provisions that enable the State to claim 50 per cent of additional revenue derived by CityLink Melbourne Limited (CML) as a result of certain events that particularly benefit CityLink, including changes to the adjoining road network.

Compensable enhancement claims have previously been lodged in respect to works for improving traffic flows on the West Gate Freeway (between Lorimer and Montague streets), and in the vicinity of the intersection of the Bulla Road and the Tullamarine Freeway. The claims were lodged on 20 May 2005 and 29 September 2006 respectively, and are still outstanding.

Peninsula Link compensable enhancement claim

The EastLink Concession Deed contains compensable enhancement provisions that enable the State to claim 50 per cent of any additional revenue derived by ConnectEast Pty Ltd (ConnectEast) as a result of certain events that particularly benefit EastLink, including changes to the adjoining road network.

On 2 January 2014, the State lodged a compensable enhancement claim as a result of opening Peninsula Link. The claim remains outstanding.

Gambling licences

In 1992, a gaming operator's licence was issued to the Trustees of the Will and Estate of the late George Adams, later succeeded by Tatts Group Limited (Tatts). In 1994, the State issued a coupled wagering licence and gaming licence to Tabcorp Holdings Limited (Tabcorp). These licences expired in August 2012. The *Gambling Regulation Act 2003* specified end of licence arrangements, which included compensation provisions for the licensees predicated on the previous licensing arrangements being rolled over beyond their scheduled expiry date.

On 10 April 2008, the State announced that a new regulatory and licencing regime would be implemented post August 2012. This included separating the wagering and gaming licence to instead license wagering on a standalone basis; and transitioning from the gaming operator duopoly to a system where venue operators are licensed to own and operate gaming machines in their own right.

After considering the end of licence arrangements in the *Gambling Regulation Act 2003*, the State formed the view that neither Tatts nor Tabcorp were entitled to compensation after the expiration of their licences.

In August 2012, Tatts and Tabcorp commenced legal proceedings against the State. The State defended both claims and was successful in relation to the Tabcorp claim but unsuccessful in relation to the Tatts claim.

When the judgement was entered on 27 June 2014, the State paid Tatts its claimed amount including interest, amounting to \$540.5 million. The matter went on appeal to the Court of Appeal. On 4 December 2014, the Court of Appeal upheld the Supreme Court's decision. The State has sought special leave to appeal to the High Court of Australia. This application is listed for hearing on 15 May 2015.

CONTINGENT LIABILITIES

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

As with contingent assets, contingent liabilities are also classified as either quantifiable or non-quantifiable. The following table contains quantifiable contingent liabilities as at May 2015, based on current information.

Table 6.2: Quantifiable contingent liabilities

(\$ million)

	<i>As at Dec 2014^(a)</i>	<i>As at May 2015</i>
Guarantees, indemnities and warranties	312.0	312.4
Legal proceedings and disputes	341.3	235.3
Other	216.4	200.7
Non-general government debt	11 225.1	11 274.6
Total contingent liabilities	12 094.8	12 023.0

Source: Department of Treasury and Finance

Note:

(a) As published in the 2014-15 Budget Update.

Non-quantifiable contingent liabilities

A number of potential obligations are non-quantifiable at this time arising from:

- indemnities provided in relation to transactions, including financial arrangements and consultancy services, as well as for directors and administrators;
- performance guarantees, warranties, letters of comfort and the like;
- deeds in respect of certain obligations; and
- unclaimed monies, which may be subject to future claims by the general public against the State.

An overview of the more significant non-quantifiable liabilities follows.

AgriBio Centre for AgriBioscience (formerly known as The Biosciences Research Centre)

The quarterly service fee payment obligations of the AgriBio Centre for AgriBioscience on behalf of the joint venture participants (Department of Economic Development, Jobs, Transport and Resources, and La Trobe University) are supported by the State of Victoria via a State Support Deed. Under this Deed, the State ensures that the joint venture participants have severally the financial capacity to meet their payment obligations to Biosciences Research Centre Pty Ltd (BRC), thereby enabling BRC to meet its obligations to pay the service fee to the concessionaire pursuant to the project agreement. The State underwrites the risk of any default by BRC.

Department of Education and Training

The Department has a number of unquantifiable contingent liabilities, arising from indemnities provided by it, as follows:

- volunteer school workers and volunteer student workers: the *Education and Training Reform Act 2006* provides a specific indemnity for personal injuries suffered by volunteer school workers and volunteer student workers arising out of, or in the course of, engaging in school work or community work respectively;
- members of school councils: the *Education and Training Reform Act 2006* provides an indemnity to members of school councils for any legal liability, whether in contract, negligence, defamation or other; and
- teachers – in the event that a teacher is named as a defendant in a student personal injury claim, any costs and damages will generally be paid by the Department provided the teacher was not drunk, under the influence of illicit drugs or engaging in a criminal offence and the behaviour was not outrageous and was related to their employment, or undertaken in, the course of their employment.

East West Link – Eastern Section

The State entered into a non-binding heads of agreement with various parties (the East West Connect “EWC” parties) on 15 April 2015 in respect of resolving settlement matters relating to the East West Link Project (the project).

The heads of agreement sets out the proposed terms to settle the issues between the parties and a proposed framework and timetable for the parties to work together to enter into binding agreements. The conditions precedent to entering into binding agreements include State rights to further due diligence and approvals. The proposed settlement principally provides for:

- the State buying project related entities, with EWC novating the project related credit facility and interest rate swaps to the State;
- EWC terminating all project related contracts;
- releases in favour of the State from key contractors, sub-contractors and other parties; and
- a State right to obtain intellectual property, plant, equipment and other “hard assets” acquired by EWC.

The State is negotiating with the financiers of EWC to repurpose the credit facility to contribute to funding for the Melbourne Metro Rail Project.

Under the Heads of Agreement with EWC, the State's obligation for the novation of debt is capped (excluding the novation of any interest rate hedging related to the project).

The State has included provision for the estimated effect of this settlement in the budget estimates. This is subject to any revisions arising from the finalisation of the binding contractual arrangements.

Public acquisition overlays for the future development of rail and road infrastructure

Public acquisition overlays are in place in order to reserve certain areas of land for future development of rail and road infrastructure. Under Section 98 of the *Planning and Environment Act 1987*, the State has a legislative responsibility to compensate eligible land and property owners who face either:

- loss on sale – an eligible landowner is entitled to compensation for the incremental loss on sale when a property affected by a public acquisition overlay is sold for less than its market value; or
- financial loss – the entitlement to financial loss compensation is triggered when a development permit is refused because the property is required for a public purpose.

Compensation and purchase claims occur as a result of claims by land owners. The future liability depends on factors including the number of claims received and the prevailing value of land at the time the claim is made, which cannot be reliably quantified.

Public transport rail partnership agreements

Public Transport Victoria (PTV) is party to partnership contractual arrangements with franchisees to operate metropolitan rail transport services in the State, from 30 November 2009 until 30 November 2017. The major contingent liabilities arising in the event of early termination or expiry of the contract are:

- partnership assets – to maintain continuity of services, at early termination or expiry of the franchise contract, assets will revert to PTV or a successor. In the case of some assets, a reversion back to PTV would entail those assets being purchased; and
- unfunded superannuation – at the early termination or expiry of the contract, PTV will assume any unfunded superannuation amounts (apart from contributions the operator is required to pay over the contract term) to the extent that the State becomes the successor operator.

Fiskville independent investigation and closure of training college

An independent investigation was undertaken into the historical use of chemicals for live firefighting training at Fiskville between 1971 and 1999. The report of the independent investigation has been released and the Country Fire Authority (CFA) has accepted all of the facts, recommendations and conclusions and is committed to implementing all recommendations.

In August 2012, the CFA established a program office to manage the implementation of the report's recommendations and an additional 11 management initiatives to which the CFA Board committed in its response to the report.

On 26 March 2015, the Government announced the permanent closure of the Fiskville training facility. The permanent closure of Fiskville requires the CFA to reassess the direction and approach to the assessment, remediation and rehabilitation of Fiskville. This will also need to take into the consideration the finding and recommendations of the Victorian Parliamentary Inquiry into the CFA Training College at Fiskville which is due to present its final report by no later than 1 December 2015.

At this stage it is impractical to quantify the financial effects as a result of the closure of Fiskville and its effect on the implementation of recommendations received from the independent investigation.

Gambling licences

Related to the 'Gambling licenses' item within non-quantifiable contingent assets, the State was successful in the Tabcorp proceeding and did not need to pay Tabcorp its claimed amount of \$686.8 million plus interest. The matter went on appeal to the Court of Appeal. On 4 December 2014, the Court of Appeal upheld the Supreme Court's decision. Tabcorp has sought special leave to appeal to the High Court of Australia. This application is listed for hearing on 15 May 2015.

Public Lottery Licence Litigation

On 27 August 2014, Intralot Australia Pty Ltd (Intralot) served a writ and Statement of Claim on the State. Intralot's claim relates to allegations that Tattersall's Sweeps Pty Ltd was granted favourable treatment relating to the awarding of public lottery licences on 24 October 2007. Intralot claims its total costs to 30 June 2014 are \$63.4 million. The State has lodged its defence and the matter will be heard in the Supreme Court.

Compulsory property acquisitions

The State has compulsorily acquired a number of properties (residential and commercial) through the *Land Acquisition and Compensation Act 1986* to facilitate delivery of various projects. Possible future claims for compensation arising from the compulsory acquisition of these properties cannot be quantified at this stage.

Land remediation – environmental concerns

In addition to properties for which remediation costs have been provided in the State's financial statements, certain other properties have been identified as potentially contaminated sites. The State does not admit any liability in respect of these sites. However, remedial expenditure may be incurred to restore the sites to an acceptable environmental standard in the event that a contamination risk is identified.

Native Title

A number of claims have been filed with the Federal Court under the Commonwealth *Native Title Act 1993* that affect Victoria. It is not feasible at this time to quantify any future liability.

Melbourne Park redevelopment

In 2010, the State entered into a capital works agreement with Tennis Australia and the Melbourne and Olympic Park Trust for the Australian Open to remain at Melbourne Park until 2036. The agreement contains a number of conditions including that the State will invest in further improvements to Melbourne Park in three stages or (if an agreed investment threshold is reached), pay a rights fee to retain the Australian Open at Melbourne Park until 2036.

In the *2010-11 Budget*, Stage 1 of the Melbourne Park redevelopment with a total estimated investment of \$363 million was announced. In January 2014, a further \$338 million of total estimated investment was announced by the State for Stage 2 of the redevelopment.

Royal Melbourne Showgrounds redevelopment

Under the State's commitment to the Royal Agriculture Society of Victoria (RASV), the State has agreed to support certain obligations of RASV which may arise out of the joint venture agreement. In accordance with the terms set out in the State's commitment to RASV, the State will pay (in the form of a loan) the amount requested by RASV. If any outstanding loan amount remains unpaid at the date, which is 25 years after the commencement of the operation term under the development and operation agreement, RASV will be obliged to satisfy and discharge each such outstanding loan amount. This may take the form of a transfer to the State, of the whole of the RASV participating interest in the joint venture.

Under the State Support Deed – Core Land, the State has undertaken to ensure the performance of the payment obligations in favour of the Concessionaire and the performance of the joint venture financial obligations in favour of the security trustee.

The State has also entered into an agreement through the State Support Deed – Non-Core Land with Showgrounds Retail Developments Pty Ltd and the RASV, whereby the State agrees to support certain payment obligations of the RASV that may arise under the non-core development agreement.

Victorian Managed Insurance Authority – insurance cover

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for state government departments, participating bodies and other entities as defined under the *Victorian Managed Insurance Authority Act 1996*. The VMIA provides its clients with a range of insurance cover, including for property, public and products liability, professional indemnity and contract works. The VMIA reinsures in the private market for losses above \$50 million arising out of any one occurrence, up to a maximum of \$850 million for public and products liability, and for losses above \$50 million arising out of any one event, up to a maximum of \$3.05 billion for property. The risk of losses above these reinsured levels is borne by the State.

The VMIA also insures the Department of Health and Human Services for all public sector medical indemnity claims incurred in each policy year from 1 July 2003, regardless of when claims are finally settled. Under the indemnity deed to provide stop loss protection for the VMIA, the Department of Treasury and Finance has agreed to reimburse the VMIA if the ultimate claims payouts exceed by more than 20 per cent of the initial estimate on which the risk premium was based.

APPENDIX A – PUBLIC ACCOUNT

The Public Account is the Government’s official bank account. The Public Account holds the cash balances of the Consolidated Fund and the Trust Fund. The State’s financial transactions on the Public Account are recorded in the public ledger.

The *Financial Management Act 1994* (FMA), amongst other things, provides for:

- temporary advances from the Public Account for a number of purposes related to the needs of the Government;
- investment of the Public Account in trustee securities; and
- temporary borrowings, should the balance in the Consolidated Fund be insufficient to meet commitments during a financial year.

Consolidated Fund

The Consolidated Fund established by the FMA is the Government’s primary financial account and receives all consolidated revenue under the *Constitution Act 1975* from which payments, appropriated by Parliament, are made.

The Trust Fund

Within the Public Account, the Trust Fund embraces a range of specific purpose accounts established for funds that are not subject to parliamentary appropriation. Examples include accounts to record specific purpose payments from the Commonwealth for on-passing by the State to third parties, suspense account balances for accounting purposes, working accounts for commercial and departmental service units, and accounts facilitating the receipt and disbursement of private funds held by the State in trust. Additional accounts may also be established within the Trust Fund to receive State revenues hypothecated to particular purposes (e.g. lotteries revenue for hospitals and charities).

Table A.1: The Consolidated Fund

Estimated receipts and payments for the year ending 30 June 2015 and 30 June 2016.

(\$ million)

	2014-15 budget	2015-16 budget	variation %
Receipts			
Taxation	18 355	19 324	5.3
Fines and regulatory fees	857	887	3.6
Grants received	17 175	17 128	(0.3)
Sales of goods and services (including Section 29 FMA annotated)	5 467	5 721	4.6
Interest received	514	536	4.4
Dividends and income tax equivalent and rate equivalent receipts	579	1 129	95.0
Other receipts	286	306	7.2
Total operating activities	43 232	45 031	4.2
Total cash inflows from investing and financing	4 042	3 166	(21.7)
Total receipts	47 274	48 198	2.0
Payments			
Special appropriations	3 906	4 175	6.9
Appropriations ^(a)			
Provision of outputs	35 358	36 782	4.0
Additions to the net asset base	3 131	2 539	(18.9)
Payments made on behalf of the State	3 253	3 546	9.0
Receipts credited to appropriation			
Provision of outputs	2 045	2 314	13.2
Additions to the net asset base	794	155	(80.5)
Sub total	48 488	49 511	2.1
Appropriations remaining unspent	(643)	(571)	(11.2)
Total payments	47 845	48 941	2.3
Net receipts/(payments)	(571)	(743)	30.2
Opening balance 1 July^(b)	(217)	(57)	(73.6)
Estimated closing balance 30 June	(788)	(800)	1.6

Source: Department of Treasury and Finance

Notes:

(a) Includes unapplied appropriations carried over from the previous year.

(b) The opening balance of cash and deposits for the 2015-16 Budget is based on the 2014-15 actual opening balance plus the estimated movements for the 2014-15 revised budget (see Appendix B Note 18(a)).

Table A.2: Consolidated Fund receipts^{(a)(b)}

(\$ thousand)

	2014-15 budget	2015-16 budget	variation %
Operating receipts			
Taxation			
Payroll tax	5 682 505	5 984 518	5.3
Land tax	1 903 600	1 769 720	(7.0)
Fire Services Property Levy	626 451	627 904	0.2
Congestion levy	122 336	120 234	(1.7)
Duties from financial and capital transactions			
Land transfer duty	4 615 302	5 195 757	12.6
Other duties	2 897	1 829	(36.9)
Growth areas infrastructure contribution	30 511	75 305	146.8
Financial accommodation levy	151 001	151 367	0.2
Levies on statutory corporations	112 509	111 963	(0.5)
Gambling taxes	1 737 505	1 767 599	1.7
Insurance	1 094 410	1 156 247	5.7
Motor vehicle			
<i>Road Safety Act (Registration Fees) 1986</i>	1 429 727	1 468 561	2.7
Duty on vehicle registrations and transfers	713 990	743 287	4.1
Liquor licence fees	22 434	21 936	(2.2)
Other taxes	110 030	127 288	15.7
Total	18 355 208	19 323 516	5.3
Fines and regulatory fees			
Fines	384 361	349 056	(9.2)
Regulatory fees	472 354	538 171	13.9
Total	856 715	887 227	3.6
Grants received			
Grants received by department			
Department of Economic Development, Jobs, Transport and Resources	6 250	..	n.a.
Department of Environment, Land, Water and Planning	24 854	34 373	38.3
Department of Health and Human Services	25 304	39 698	56.9
Department of Justice and Regulation	5 314	3 214	(39.5)
Department of Treasury and Finance	17 110 206	17 051 030	(0.3)
Department of Human Services	3 072	..	n.a.
Total	17 174 999	17 128 314	(0.3)
Sales of goods and services	5 466 952	5 720 807	4.6
Interest received	513 871	536 242	4.4
Dividends and income tax equivalent and rate equivalent revenue			
Dividends	414 005	835 129	101.7
Income tax equivalent revenue	159 291	286 368	79.8
Local government tax equivalent revenue	5 711	7 516	31.6
Total	579 007	1 129 012	95.0

Table A.2: Consolidated Fund receipts^{(a)(b)} (continued)

(\$ thousand)

	2014-15 budget	2015-16 budget	variation %
Other receipts			
Land rent received	16 645	18 327	10.1
Royalties received	49 617	50 806	2.4
Other	219 404	237 012	8.0
Total	285 666	306 146	7.2
Total operating activities	43 232 418	45 031 265	4.2
Total cash in flows from investing and financing	4 041 851	3 166 369	(21.7)
Total Consolidated Funds receipts	47 274 270	48 197 634	2.0

Source: Department of Treasury and Finance

Notes:

(a) On 4 December 2014, the Premier announced machinery of government changes effective from 1 January 2015. The following Victorian government departments were affected:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes.

(b) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.

Table A.3: Consolidated Fund appropriations – summary^(a)

(\$ thousand)

	2014-15 budget ^(b)	2015-16 budget	variation %
Economic Development, Jobs, Transport and Resources			
Special appropriations	..	5 622	n.a.
Annual appropriations	964 068	9 070 438	840.9
Total	964 068	9 076 060	841.4
Education and Training			
Special appropriations	13 011	13 018	0.1
Annual appropriations	10 869 223	11 465 013	5.5
Total	10 882 234	11 478 031	5.5
Environment, Land, Water and Planning			
Special appropriations	..	14 100	n.a.
Annual appropriations	2 343 809	1 882 976	(19.7)
Total	2 343 809	1 897 076	(19.1)
Health and Human Services			
Special appropriations	1 192 712	1 408 366	18.1
Annual appropriations	8 642 837	13 158 758	52.3
Total	9 835 548	14 567 124	48.1
Justice and Regulation			
Special appropriations	102 092	11 180	(89.0)
Annual appropriations	6 044 010	5 888 369	(2.6)
Total	6 146 102	5 899 549	(4.0)
Premier and Cabinet			
Special appropriations	14 177	62 651	341.9
Annual appropriations	623 872	344 189	(44.8)
Total	638 049	406 840	(36.2)
Treasury and Finance			
Special appropriations	2 252 445	2 418 165	7.4
Annual appropriations	2 695 666	3 020 109	12.0
Total	4 948 111	5 438 274	9.9
Parliament			
Special appropriations	38 589	42 849	11.0
Annual appropriations	144 652	146 743	1.4
Total	183 241	189 592	3.5
Courts			
Special appropriations	189 555	199 265	5.1
Annual appropriations	309 112	359 409	16.3
Total	498 667	558 674	12.0
Human Services			
Special appropriations	80 056	..	n.a.
Annual appropriations	3 865 303	..	n.a.
Total	3 945 359	..	n.a.

Table A.3: Consolidated Fund appropriations – summary^(a) (continued)

(\$ thousand)

	2014-15 budget ^(b)	2015-16 budget	variation %
Transport, Planning and Local Infrastructure			
Special appropriations	23 007	..	n.a.
Annual appropriations	8 079 328	..	n.a.
Total	8 102 335	..	n.a.
Total special appropriations	3 905 644	4 175 216	6.9
Total annual appropriations^(c)	44 581 879	45 336 002	1.7
Total appropriations	48 487 522	49 511 218	2.1

Source: Department of Treasury and Finance

Notes:

(a) On 4 December 2014, the Premier announced machinery of government changes effective from 1 January 2015. The following Victorian government departments were affected:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes.

(b) Reflects 2014-15 published budget figures which have not been adjusted for the effects of the machinery of government changes which were effective from 1 January 2015.

(c) Includes receipts credited to appropriation and unapplied previous year appropriations carried over.

Table A.4: Consolidated Fund payments – special appropriations^(a)

(\$ thousand)

	2014-15 budget ^(b)	2015-16 budget	variation %
Economic Development, Jobs, Transport and Resources			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	..	3 122	n.a.
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations^(c)</i>	..	500	n.a.
<i>Transport (Compliance and Miscellaneous) Act, Section 213A(4)</i>	..	2 000	n.a.
Total	..	5 622	n.a.
Education and Training			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	12 742	12 742	..
<i>Education and Training Reform Act No. 24/26 of 2006, Section 5.6.8 – Volunteer Workers Compensation</i>	269	276	2.6
Total	13 011	13 018	0.1
Environment, Land, Water and Planning			
Payments to Growth Areas Public Transport Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	..	7 050	n.a.
Payments to Building New Communities Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	..	7 050	n.a.
Total	..	14 100	n.a.
Health and Human Services			
<i>Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund</i>	15 909	16 655	4.7
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth Grants</i>	11 604	..	(100.0)
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations^(c)</i>	..	47 420	n.a.
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.11 – Hospitals and Charities Fund and Mental Health Fund</i>	751 029	847 910	12.9
<i>Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 – Hospitals and Charities Fund</i>	65 087	66 198	1.7
<i>Gambling Regulation Act No. 114 of 2003, Section 5.4.6 – Hospitals and Charities Fund and Mental Health Fund</i>	345 006	424 157	22.9
<i>Gambling Regulation Act No. 114 of 2003, Section 6A.4.4(1) – Contributions to Hospital and Charities Fund and Mental Health Fund</i>	4 076	6 026	47.8
Total	1 192 712	1 408 366	18.1

Table A.4: Consolidated Fund payments – special appropriations^(a) (continued)

(\$ thousand)

	2014-15 budget ^(b)	2015-16 budget	variation %
Justice and Regulation			
<i>Crown Proceedings – Act No. 6232</i>	4 996	5 121	2.5
<i>EastLink Project Act No. 39 of 2004, Section 26</i>	1 215	1 538	26.6
<i>Electoral Act No. 23 of 2002, Section 181 – Electoral Expenses</i>	72 060	..	(100.0)
<i>Electoral Act No. 23 of 2002, Section 215 – Electoral Entitlement</i>	11 600	..	(100.0)
<i>Emergency Management Act No 30 of 1986, Section 32 – Volunteer Workers Compensation</i>	331	339	2.4
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants etc.</i>	2 100	..	(100.0)
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations^(c)</i>	5 906	..	(100.0)
<i>Melbourne City Link, Act No. 107 of 1995, Section 14(4)</i>	2 870	3 142	9.5
<i>Victoria State Emergency Service Act No. 51 of 2005, Section 52 – Volunteer Workers Compensation</i>	902	925	2.5
<i>Work Cover Authority Fund, Corrections Act 1986, Part 9D, S.104ZW</i>	112	115	2.7
Total	102 092	11 180	(89.0)
Premier and Cabinet			
<i>Constitution Act No. 8750 – Executive Council</i>	50	50	..
<i>Constitution Act No. 8750 – Governor’s Salary</i>	433	455	5.1
<i>Electoral Act No. 23 of 2002, Section 181 – Electoral Expenses</i>	..	35 558	na
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations^(c)</i>	5 520	..	(100.0)
<i>Inquiries Act No. 67 of 2014, Section 11 - Expenses and financial obligations of Royal Commission</i>	..	18 000	na
<i>Ombudsman Act No. 8414</i>	511	537	5.1
<i>Parliamentary Salaries and Superannuation Act No. 7723 of 1968</i>	7 663	8 051	5.1
Total	14 177	62 651	341.9
Treasury and Finance			
<i>Constitution Act No. 8750 – Governor’s Pension</i>	1 005	1 031	2.5
<i>Constitution Act No. 8750 – Judges of the Supreme Court</i>	9 776	10 020	2.5
<i>County Court Act No. 6230 – Judges</i>	13 536	13 874	2.5
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations^(c)</i>	..	2 800	na
<i>Financial Management Act No. 18 of 1994, Section 39 – Interest on Advances</i>	20 000	20 000	..
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.12 – Community Support Fund</i>	98 800	100 168	1.4

Table A.4: Consolidated Fund payments – special appropriations^(a) (continued)

(\$ thousand)

	2014-15 budget ^(b)	2015-16 budget	variation %
Treasury and Finance (continued)			
<i>Liquor Control Reform Act No. 94 of 1998, Section 177(2)</i>	3 500	3 500	..
<i>State Electricity Commission Act 1958, Section 85B(2) – Indemnity</i>	67 517	65 072	(3.6)
<i>State Superannuation Act No. 50 of 1988, Section 90(2) – Contributions</i>	1 036 611	1 200 000	15.8
<i>Taxation (Interest on Overpayments) Act No. 35 of 1986, Section 11</i>	1 000	1 000	..
<i>Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 – Debt Retirement</i>	1 000 700	1 000 700	..
Total	2 252 445	2 418 165	7.4
Parliament			
<i>Audit Act No. 2 of 1994, Section 17(3) – Audit of Auditor-General’s Office</i>	25	25	..
<i>Constitution Act No. 8750, Section 94A – Auditor-General’s Salary</i>	541	611	12.9
<i>Constitution Act No. 8750 – Clerks of the Parliaments</i>	2	2	..
<i>Constitution Act No. 8750 – Legislative Assembly</i>	550	550	..
<i>Constitution Act No. 8750 – Legislative Council</i>	200	200	..
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations^(c)</i>	..	3 500	na
<i>Parliamentary Salaries and Superannuation Act No. 7723, Section 13(1) – contributions</i>	9 300	9 300	..
<i>Parliamentary Salaries and Superannuation Act No. 7723 – Salaries and Allowances</i>	27 971	28 661	2.5
Total	38 589	42 849	11.0
Courts			
<i>Constitution Act No. 8750 – Chief Justice</i>	713	745	4.5
<i>Constitution Act No. 8750 – President Court of Appeal</i>	573	599	4.5
<i>Constitution Act No. 8750 – Judges Court of Appeal</i>	7 128	7 312	2.6
<i>Constitution Act No. 8750 – Judges Supreme Court</i>	22 835	23 995	5.1
<i>County Court Act No. 6230 – Judges</i>	31 782	33 193	4.4
<i>Juries Act No. 53 of 2000, Section 59 – Compensation to Jurors</i>	24	25	4.2
<i>Magistrates Court Act No. 51 of 1989</i>	51 556	54 192	5.1
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Awards</i>	58 111	61 614	6.0
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Expenses</i>	2 542	2 656	4.5
<i>Victorian Civil and Administrative Tribunal Act 53 of 1998, Section 17AA</i>	14 291	14 934	4.5
Total	189 555	199 265	5.1

Table A.4: Consolidated Fund payments – special appropriations^(a) (continued)

(\$ thousand)

	2014-15 budget ^(b)	2015-16 budget	variation %
Human Services			
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations^(c)</i>	16 121	..	(100.0)
<i>Gambling Regulation Act No. 114 of 2003, Section 5.4.6 – Hospitals and Charities Fund and Mental Health Fund</i>	63 935	..	(100.0)
Total	80 056	..	(100.0)
Transport, Planning and Local Infrastructure			
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations^(c)</i>	9 107	..	(100.0)
Payments to Growth Areas Public Transport Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	5 950	..	(100.0)
Payments to Building New Communities Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	5 950	..	(100.0)
<i>Transport (Compliance and Miscellaneous) Act, Section 213A(4)</i>	2 000	..	(100.0)
Total	23 007	..	(100.0)
Total special appropriations	3 905 644	4 175 216	6.9

Source: Department of Treasury and Finance

Notes:

(a) On 4 December 2014, the Premier announced machinery of government changes effective from 1 January 2015. The following Victorian government departments were affected:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and the Department of Economic Development, Jobs, Transport and Resources portfolio. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes.

(b) Reflects 2014-15 published budget figures which have not been adjusted for the effects of the machinery of government changes which were effective from 1 January 2015.

(c) Relates to previously applied appropriations.

Table A.5: Consolidated Fund payments: total annual appropriations^(a)

Details of total annual appropriations for 2015-16 are outlined below, including estimated amounts of unapplied 2014-15 appropriation carried forward pursuant to Section 32 of the *Financial Management Act 1994* and certain revenue and asset sales proceeds credited to appropriation pursuant to Section 29 of the *Financial Management Act 1994*. Estimates for the *2015-16 Budget* are in **bold**. Estimates for *2014-15 Budget* in *italics* reflect amounts published in the *2014-15 Budget* and do not include machinery of government changes. Please note that these figures are rounded to the nearest thousand dollars.

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Economic Development, Jobs, Transport and Resources				
Appropriation ^(b)	6 604 734	1 808 391	66 767	8 479 892
	<i>738 039</i>	<i>98 486</i>	<i>63 688</i>	<i>900 213</i>
Receipts credited to appropriation ^(c)	556 896	7 500	..	564 396
	<i>300</i>	..	..	<i>300</i>
Unapplied previous year appropriation carried over ^(d)	15 528	10 622	..	26 150
	<i>47 815</i>	<i>15 740</i>	..	<i>63 555</i>
Total appropriation	7 177 158	1 826 513	66 767	9 070 438
	<i>786 154</i>	<i>114 226</i>	<i>63 688</i>	<i>964 068</i>
Education and Training				
Appropriation ^(b)	10 840 317	..	..	10 840 317
	<i>10 211 944</i>	..	..	<i>10 211 944</i>
Receipts credited to appropriation ^(c)	450 454	57 242	..	507 696
	<i>435 928</i>	<i>51 351</i>	..	<i>487 279</i>
Unapplied previous year appropriation carried over ^(d)	117 000	..	..	117 000
	<i>170 000</i>	..	..	<i>170 000</i>
Total appropriation	11 407 771	57 242	..	11 465 013
	<i>10 817 872</i>	<i>51 351</i>	..	<i>10 869 223</i>
Environment, Land, Water and Planning				
Appropriation ^(b)	996 730	32 484	641 800	1 671 014
	<i>1 253 619</i>	<i>111 169</i>	<i>696 650</i>	<i>2 061 438</i>
Receipts credited to appropriation ^(c)	119 259	27 535	..	146 793
	<i>158 934</i>	<i>61 259</i>	..	<i>220 193</i>
Unapplied previous year appropriation carried over ^(d)	56 357	100	8 712	65 169
	<i>51 071</i>	<i>11 107</i>	..	<i>62 178</i>
Total appropriation	1 172 345	60 118	650 512	1 882 976
	<i>1 463 624</i>	<i>183 535</i>	<i>696 650</i>	<i>2 343 809</i>

Table A.5: Consolidated Fund payments: total annual appropriations^(a) (continued)

(\$ thousand)

	Provision of outputs	Additions to net asset base	Payments made on behalf of the State	Total
Health and Human Services				
Appropriation ^(b)	11 865 518	147 087	..	12 012 605
	7 498 235	88 911	..	7 587 147
Receipts credited to appropriation ^(c)	891 870	62 144	..	954 014
	781 111	139 173	..	920 284
Unapplied previous year appropriation carried over ^(d)	112 813	79 325	..	192 138
	68 995	66 411	..	135 406
Total appropriation	12 870 201	288 557	..	13 158 758
	8 348 341	294 495	..	8 642 837
Justice and Regulation				
Appropriation ^(b)	5 157 505	345 335	54 461	5 557 301
	5 008 953	739 115	54 461	5 802 529
Receipts credited to appropriation ^(c)	200 199	600	..	200 799
	189 164	600	..	189 764
Unapplied previous year appropriation carried over ^(d)	70 478	59 791	..	130 269
	35 690	16 026	..	51 716
Total appropriation	5 428 182	405 726	54 461	5 888 369
	5 233 808	755 741	54 461	6 044 010
Premier and Cabinet				
Appropriation ^(b)	320 441	2 736	..	323 177
	577 741	21 519	3 500	602 760
Receipts credited to appropriation ^(c)	520	..	..	520
	1 270	..	..	1 270
Unapplied previous year appropriation carried over ^(d)	17 992	1 500	1 000	20 492
	14 753	5 089	..	19 842
Total appropriation	338 953	4 236	1 000	344 189
	593 764	26 608	3 500	623 872
Treasury and Finance				
Appropriation ^(b)	235 651	4 230	2 773 160	3 013 041
	229 841	24 427	2 434 330	2 688 598
Receipts credited to appropriation ^(c)	7 068	..	..	7 068
	7 068	..	..	7 068
Unapplied previous year appropriation carried over ^(d)	..	..	..	..

Total appropriation	242 719	4 230	2 773 160	3 020 109
	236 909	24 427	2 434 330	2 695 666

Table A.5: Consolidated Fund payments: total annual appropriations^(a) (continued)

(\$ thousand)

	Provision of outputs	Additions to net asset base	Payments made on behalf of the State	Total
Parliament				
Appropriation ^(e)	117 432	..	..	117 432
	115 756	..	..	115 756
Receipts credited to appropriation ^(c)	23 904	..	..	23 904
	23 761	..	..	23 761
Unapplied previous year appropriation carried over ^(d)	5 407	..	..	5 407
	5 135	..	..	5 135
Total appropriation	146 743	..	..	146 743
	144 652	..	..	144 652
Courts				
Appropriation ^(b)	247 657	47 605	..	295 262
	234 137	2 528	..	236 665
Receipts credited to appropriation ^(c)	64 147	..	..	64 147
	64 147	..	..	64 147
Unapplied previous year appropriation carried over ^(d)	..	..	..	..
	8 300	..	..	8 300
Total appropriation	311 804	47 605	..	359 409
	306 584	2 528	..	309 112
Human Services				
Appropriation ^(b)	..	..	..	..
	3 711 252	63 656	..	3 774 908
Receipts credited to appropriation ^(c)	..	..	..	..
	50 586	6 250	..	56 836
Unapplied previous year appropriation carried over ^(d)	..	..	..	..
	17 400	16 160	..	33 560
Total appropriation	..	..	..	..
	3 779 237	86 066	..	3 865 303
Transport, Planning and Local Infrastructure				
Appropriation ^(b)	..	..	..	..
	5 352 831	1 851 099	850	7 204 781
Receipts credited to appropriation ^(c)	..	..	..	..
	333 047	535 200	..	868 247
Unapplied previous year appropriation carried over ^(d)	..	..	..	..
	6 300	..	..	6 300
Total appropriation	..	..	..	..
	5 692 178	2 386 299	850	8 079 328

Source: Department of Treasury and Finance

Table A.5: Consolidated Fund payments: total annual appropriations^(a) (continued)

Notes:

(a) On 4 December 2014, the Premier announced machinery of government changes effective from 1 January 2015. The following Victorian government departments were affected:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and the Department of Economic Development, Jobs, Transport and Resources portfolio. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes.

(b) Appropriation (2015/2016) Bill.

(c) Financial Management Act 1994 Section 29.

(d) Financial Management Act 1994 Section 32.

(e) Appropriation (Parliament 2015/2016) Bill.

Table A.6: Appropriation of certain revenue and asset sales proceeds pursuant to Section 29 of the *Financial Management Act 1994*^(a)

Estimates for the *2015-16 Budget* are in **bold**; estimates for the *2014-15 Budget* are in *italics*.

(\$ thousand)

Department	Receipt source			Total
	Outputs	Commonwealth	Other ^(b)	
Economic Development, Jobs, Transport and Resources	94 420	469 976	..	564 396
	<i>300</i>	..	..	<i>300</i>
Education and Training	1 909	460 567	45 220	507 696
	<i>1 751</i>	<i>452 528</i>	<i>33 000</i>	<i>487 279</i>
Environment, Land, Water and Planning	52 486	94 307	..	146 793
	<i>106 793</i>	<i>104 156</i>	<i>9 243</i>	<i>220 193</i>
Health and Human Services	323 274	622 990	7 750	954 014
	<i>307 065</i>	<i>611 720</i>	<i>1 500</i>	<i>920 284</i>
Justice and Regulation	143 823	56 376	600	200 799
	<i>133 404</i>	<i>55 761</i>	<i>600</i>	<i>189 764</i>
Premier and Cabinet	520	..	..	520
	<i>1 270</i>	..	..	<i>1 270</i>
Treasury and Finance	7 068	..	..	7 068
	<i>7 068</i>	..	..	<i>7 068</i>
Parliament	23 904	..	..	23 904
	<i>23 761</i>	..	..	<i>23 761</i>
Courts	56 947	7 200	..	64 147
	<i>56 947</i>	<i>7 200</i>	..	<i>64 147</i>
Human Services	..	..	..	..
	<i>27 938</i>	<i>22 648</i>	<i>6 250</i>	<i>56 836</i>
Transport Planning and Local Infrastructure	..	..	..	..
	<i>29 246</i>	<i>839 001</i>	..	<i>868 247</i>

Notes:

(a) On 4 December 2014, the Premier announced machinery of government changes effective from 1 January 2015. The following Victorian government departments were affected:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning portfolio, the Department of Health and Human Services and the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes.

(b) Includes asset sales and contributions from local governments.

Table A.7: The Trust Fund

(\$ thousand)

	2014-15 budget	2014-15 revised	2015-16 budget	variation %
Cash flows from operating activities				
Receipts				
Taxation	299 482	295 482	325 054	8.5
Regulatory fees and fines	45 658	50 083	30 365	(33.5)
Grants received	7 323 795	8 320 094	8 792 848	20.1
Sale of goods and services	406 465	339 785	164 874	(59.4)
Interest received	109 017	92 712	105 605	(3.1)
Net transfers from Consolidated Fund	9 769 643	7 577 468	7 671 967	(21.5)
Other receipts	141 695	155 278	141 339	(0.3)
	18 095 755	16 830 901	17 232 052	(4.8)
Payments				
Payments for employees	(180 386)	(185 720)	(191 737)	6.3
Superannuation	(13 019)	(13 967)	(14 354)	10.3
Interest paid	(14 723)	(7 457)	(7 519)	(48.9)
Grants and subsidies	(15 475 827)	(13 836 068)	(14 344 555)	(7.3)
Goods and services and other payments	(2 033 231)	(2 224 639)	(2 264 531)	11.4
	(17 717 187)	(16 267 851)	(16 822 697)	(5.0)
Net cash flows from operating activities	378 568	563 050	409 356	8.1
Cash flows from investing activities				
Purchases of non-financial assets	(27 632)	(30 436)	(34 770)	25.8
Sales of non-financial assets	33 875	34 700	36 200	6.9
Other investing activities	(71 988)	(66 022)	(82 791)	15.0
Net cash flows from investing activities	(65 744)	(61 758)	(81 361)	23.8
Cash flows from financing activities				
Net borrowings	(17 961)	(149 096)	(29 096)	62.0
Net cash flow from financing activities	(17 961)	(149 096)	(29 096)	62.0
Net cash inflow/(outflow)	294 863	352 196	298 899	1.4
Represented by:				
Cash and cash equivalent held at beginning of reporting period ^(a)	2 924 486	2 924 486	3 276 682	12.0
Cash and deposits held at end year	3 219 349	3 276 682	3 575 581	11.1

Source: Department of Treasury and Finance

Note:

(a) The opening balance of cash and deposits for the 2015-16 Budget is based on the 2014-15 actual opening balance plus the estimated movements for the 2014-15 revised budget.

APPENDIX B – 2014-15 BUDGET OUTCOME INCORPORATING THE FINANCIAL REPORT FOR THE MARCH QUARTER 2015

This appendix provides estimates of the budget outcome for the 2014-15 financial year, taking into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the *2014-15 Budget* to Parliament in May 2014. This appendix also presents the financial results for the general government sector for the nine months ended 31 March 2015, prepared consistent with the requirements of the *Financial Management Act 1994*.

FINANCIAL RESULTS FOR THE GENERAL GOVERNMENT SECTOR

Revised 2014-15 budget outcome and result for the period to 31 March 2015

The comprehensive operating statement presented in Table B.1 incorporates the estimated operating outcome at the *2014-15 Budget*, the revised estimated operating outcome for 2014-15, and the financial results for the nine months ended 31 March 2015.

The net result from transactions for 2014-15 is estimated at \$883 million. For the nine months ended 31 March 2015, the general government sector reported a surplus of \$1.9 billion. The quarterly outcome is consistent with the full year estimate, taking account of the expected timing of revenues and expenses during the year.

Revenue from transactions

Total revenues for the period totalled \$40.7 billion, representing 76 per cent of the revised budget expectation. The strong performance is primarily attributable to higher than expected taxation revenue related to the continued strength of the property market, and the receipt of Commonwealth grants ahead of pro-rata.

Expenses from transactions

Total expenses from transactions were \$38.9 billion and at 74 per cent, broadly in line with the revised budget. Compared with the same time last year, expenditure is higher by \$1.7 billion (4.5 per cent) primarily due to increased service delivery in the health and education sectors, and increased grants on-passed to local government.

Other economic flows

Other economic flows – other comprehensive income is estimated to be a loss of \$5.2 billion for 2014-15. This primarily reflects an actuarial loss on the State's defined benefit superannuation plans. This actuarial loss is primarily attributable to unfavourable movements in the Commonwealth bond rates that underlie the key superannuation valuation assumptions.

It is important to note that movements in the superannuation liability associated with Commonwealth bond rate fluctuations arise solely due to the application of Australian Accounting Standards and do not affect the amount of cash required to fund the liability over time.

Balance sheet

The balance sheet presented in Table B.2 shows that net assets totalled \$124.8 billion at 31 March 2015, reflecting a decrease of \$3.7 billion from 30 June 2014. This is primarily due to an increase in the superannuation liability associated with the earlier mentioned actuarial losses on the State's defined benefit superannuation plan liabilities, since 30 June 2014. This has been partially offset by an increase in total assets mainly in receivables, including land tax following the issuing of the annual land tax assessments in the March quarter.

Cash flow statement

Movements in cash flows from operations shown in Table B.3 are consistent with the factors impacting on the operating statement, primarily driven by an increase in taxes and Commonwealth grants received.

Infrastructure investment

The Government infrastructure investment program in 2014-15 which includes capital purchases by the general government sector and contributions by the general government sector to other sectors of government for capital purposes, is now estimated to total \$4.4 billion for 2014-15.

For the year to 31 March 2015, net infrastructure investment totalled \$2.8 billion, mainly reflecting investment in the transport, education and health sectors.

The Government's infrastructure scorecard to 31 March 2015

Major projects completed so far this year include:

- M80 upgrade (Edgars Road to Plenty Road);
- State Coronial Services; and
- Shrine of Remembrance.

Major projects in progress include:

- New Bendigo Hospital;
- Box Hill Hospital;
- Geelong Hospital upgrade;
- Koo Wee Rup bypass;
- Monash Children's Hospital;
- New trains, trams and associated infrastructure for Melbourne commuters;
- Ravenhall Prison;
- Redevelopment of Melbourne Park;
- Regional rolling stock;
- Regional Rail Link;
- *Road Safety Strategy 2013-2022*;
- Royal Victorian Eye and Ear Hospital;
- Victorian Comprehensive Cancer Centre; and
- Western Highway duplication – Ballarat to Stawell.

Major projects that commenced procurement in 2014-15 include:

- Calder Highway interchange;
- Corrections system expansion;
- New Schools PPP; and
- Princes Highway West duplication project.

Table B.1: Comprehensive operating statement for the period ended 31 March

(\$ million)

2013-14 Actual to Mar		Notes	2014-15			Budget to revised budget	Change %
			Actual to Mar	Revised budget	Published budget	change	
	Revenue from transactions						
13 196.8	Taxation revenue	2	14 240.4	18 273.9	18 067.5	206.4	1.1
622.1	Interest revenue		608.2	824.6	842.1	(17.5)	(2.1)
330.7	Dividends and income tax equivalent and rate equivalent revenue	3	729.8	1 025.5	584.7	440.8	75.4
4 773.0	Sales of goods and services	4	5 043.6	6 525.5	6 478.4	47.1	0.7
17 586.7	Grants	5	18 463.8	24 584.3	24 855.3	(271.0)	(1.1)
1 521.6	Other revenue	6	1 651.1	2 308.7	2 073.9	234.8	11.3
38 030.9	Total revenue from transactions		40 736.8	53 542.4	52 901.9	640.5	1.2
	Expenses from transactions						
13 306.5	Employee expenses		13 947.2	18 478.4	18 442.3	36.1	0.2
806.7	Net superannuation interest expense ^(a)	7a	761.8	1 038.0	1 023.9	14.1	1.4
1 396.5	Other superannuation ^(a)	7a	1 517.4	1 864.1	1 863.7	0.5	..
1 788.7	Depreciation ^(b)	8	1 809.1	2 497.5	2 496.0	1.4	0.1
1 581.5	Interest expense		1 559.2	2 102.8	2 195.8	(93.0)	(4.2)
6 265.9	Grants and other transfers		6 776.4	8 220.0	8 294.3	(74.4)	(0.9)
12 037.5	Other operating expenses		12 493.6	18 458.7	17 259.2	1 199.6	7.0
37 183.3	Total expenses from transactions^{(a)(b)}	9	38 864.7	52 659.4	51 575.1	1 084.3	2.1
847.6	Net result from transactions – net operating balance^{(a)(b)}		1 872.1	883.0	1 326.7	(443.8)	(33.4)
	Other economic flows included in net result						
21.6	Net gain/(loss) on disposal of non-financial assets		47.3	64.6	106.3	(41.7)	(39.2)
46.5	Net gain/(loss) on financial assets or liabilities at fair value		80.9	28.1	2.8	25.2	893.6
0.1	Share of net profit/ (loss) from associates/ joint venture entities, excluding dividends		0.1	..	..	..	..
(1 124.9)	Other gains/(losses) from other economic flows	10	(495.0)	(443.7)	(283.6)	(160.1)	56.4
(1 056.7)	Total other economic flows included in net result		(366.6)	(351.0)	(174.5)	(176.5)	101.2
(209.2)	Net result^{(a)(b)}		1 505.5	532.0	1 152.2	(620.3)	(53.8)
	Other economic flows – other comprehensive income						
	Items that will not be reclassified to net result						
(680.8)	Changes in non-financial assets revaluation surplus		(76.2)	4 820.2	3 906.5	913.6	23.4
2 004.2	Remeasurement of superannuation defined benefit plans ^(a)	7a	(4 435.6)	(4 278.8)	499.2	(4 778.0)	(957.2)
1 110.9	Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		2.7	2 438.1	2 884.3	(446.2)	(15.5)
634.8	Other movements in equity		(626.3)	44.9	0.1	44.9	47 272.7
	Items that may be reclassified subsequently to net result						
28.4	Net gain/(loss) on financial assets at fair value		(46.3)	1.2	1.1	0.1	7.0
3 097.6	Total other economic flows – other comprehensive income^(a)		(5 181.8)	3 025.6	7 291.2	(4 265.6)	(58.5)
2 888.4	Comprehensive result – total change in net worth^{(a)(b)}		(3 676.3)	3 557.6	8 443.5	(4 885.9)	(57.9)

**Table B.1: Comprehensive operating statement for the period ended 31 March
(continued)**

(\$ million)

2013-14 Actual to Mar		Notes	2014-15 Actual to Mar	Revised budget	Published budget	Budget to revised budget change	Change %
KEY FISCAL AGGREGATES							
847.6	Net operating balance ^{(a)(b)}		1 872.1	883.0	1 326.7	(443.8)	(33.4)
549.0	Less: Net acquisition of non-financial assets from transactions	11	559.8	(137.4)	966.4	(1 103.8)	(114.2)
298.5	Net lending/(borrowing) ^{(a)(b)}		1 312.3	1 020.3	360.4	660.0	183.1

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

- (a) 2013-14 March comparative figures have been restated to reflect a change in accounting policy associated with the calculation of the tax liability component of the unfunded superannuation liability.
- (b) 2013-14 March comparative figures have been restated to reflect a change in accounting policy associated with the valuation of school building assets.

Table B.2: Balance sheet as at 31 March

		(\$ million)					
2013-14 Actual 31 Mar	Notes	Opening 1 Jul	2014-15 Actual 31 Mar	Revised budget	2014-15 budget ^(a)	Revised movement	Budgeted movement
Assets							
Financial assets							
3 064.7	Cash and deposits	4 500.9	4 527.2	4 912.6	4 654.1	411.7	153.2
4 593.5	Advances paid	4 586.9	4 573.3	4 567.9	4 537.7	(19.0)	(49.2)
5 893.4	Receivables	12 4 940.6	6 729.0	5 010.0	4 861.3	69.5	(79.2)
4 166.0	Investments, loans and placements	3 117.6	3 478.7	3 039.3	3 140.3	(78.3)	22.6
49.4	Investments accounted for using the equity method	44.1	46.9	44.1	44.1	..	..
72 375.8	Investments in other sector entities ^(b)	75 869.2	76 357.5	80 446.8	81 013.8	4 577.6	5 144.6
90 142.8	Total financial assets ^(b)	93 059.4	95 712.5	98 020.7	98 251.3	4 961.4	5 192.0
Non-financial assets							
183.2	Inventories	176.6	147.1	155.1	175.1	(21.5)	(1.5)
55.8	Non-financial assets held for sale	142.5	151.5	128.5	142.5	(14.0)	..
102 645.8	Land, buildings, infrastructure, plant and equipment ^(d)	13a 105 161.7	104 847.4	109 633.6	108 299.7	4 471.9	3 138.0
1 145.9	Other non-financial assets	14 1 204.8	1 325.0	1 208.5	1 190.5	3.6	(14.3)
104 030.8	Total non-financial assets ^(d)	106 685.6	106 470.9	111 125.6	109 807.8	4 440.1	3 122.2
194 173.6	Total assets ^{(b)(d)}	199 744.9	202 183.4	209 146.3	208 059.1	9 401.4	8 314.2
Liabilities							
591.0	Deposits held and advances received	426.5	529.0	426.4	426.4	(0.1)	(0.1)
5 291.8	Payables	15 5 746.5	6 375.8	5 864.2	5 207.0	117.7	(539.5)
33 889.6	Borrowings	32 953.6	33 286.1	33 333.4	34 933.3	379.8	1 979.7
5 264.6	Employee benefits	16 5 302.7	5 637.4	5 519.7	5 535.2	217.0	232.4
23 903.9	Superannuation ^(c)	7b 26 252.9	30 881.1	30 752.2	25 377.9	4 499.3	(875.1)
611.0	Other provisions	630.6	718.0	1 261.7	649.1	631.1	18.5
69 551.9	Total liabilities ^(c)	71 312.8	77 427.6	77 157.6	72 128.8	5 844.9	816.0
124 621.7	Net assets ^{(b)(c)}	128 432.2	124 755.9	131 988.7	135 930.3	3 556.6	7 498.2
44 793.6	Accumulated surplus/(deficit) ^{(c)(d)}	43 531.3	39 989.0	39 828.6	46 066.5	(3 702.7)	2 535.3
79 778.0	Reserves ^{(b)(d)}	84 850.9	84 716.8	92 110.2	89 813.8	7 259.3	4 962.9
50.0	Non-controlling interest	50.0	50.0	50.0	50.0	..	..
124 621.7	Net worth ^{(b)(c)(d)}	128 432.2	124 755.9	131 988.7	135 930.3	3 556.6	7 498.2
FISCAL AGGREGATES							
20 590.9	Net financial worth ^{(b)(c)}	21 746.6	18 284.9	20 863.1	26 122.6	(883.5)	4 375.9
51 784.9	Net financial liabilities ^{(b)(c)}	54 122.6	58 072.5	59 583.7	54 891.3	5 461.1	768.6
22 656.3	Net debt	17 21 174.6	21 236.0	21 240.0	23 027.6	65.4	1 853.0

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

- (a) Budget represents actual opening balances as at 1 July 2014 plus 2014-15 budgeted movement.
- (b) The 31 March 2014 comparative figures have been restated to more accurately reflect the balances.
- (c) The 31 March 2014 comparative figures and 1 July 2014 opening balances have been restated to reflect a change in accounting policy associated with the calculation of the tax liability component of the unfunded superannuation liability.
- (d) The 31 March 2014 comparative figures and 1 July 2014 opening balances have been restated to reflect a change in accounting policy associated with the valuation of school building assets.

Table B.3: Statement of cash flows for the period ended 31 March

(\$ million)

2013-14 Actual to Mar		Notes	2014-15 Actual to Mar	Revised budget	Published budget	Budget to revised budget change	Change %
Cash flows from operating activities							
Receipts							
12 305.2	Taxes received		13 642.8	18 459.4	18 043.9	415.5	2.3
17 583.4	Grants		18 417.5	24 546.2	24 848.0	(301.8)	(1.2)
5 752.6	Sales of goods and services ^(a)		5 412.7	7 183.9	7 094.1	89.8	1.3
589.0	Interest received		577.7	804.0	821.7	(17.6)	(2.1)
498.2	Dividends and income tax equivalent and rate equivalent receipts		746.9	1 070.5	581.1	489.4	84.2
1 036.3	Other receipts		1 165.7	2 051.2	1 796.6	254.5	14.2
37 764.8	Total receipts		39 963.3	54 115.2	53 185.4	929.8	1.7
Payments							
(13 207.7)	Payments for employees		(13 711.8)	(18 261.7)	(18 212.0)	(49.7)	0.3
(2 016.2)	Superannuation		(2 086.7)	(2 681.8)	(2 691.2)	9.5	(0.4)
(1 544.6)	Interest paid		(1 533.3)	(2 062.3)	(2 155.3)	93.0	(4.3)
(6 487.2)	Grants and subsidies		(6 949.7)	(8 233.9)	(8 331.7)	97.8	(1.2)
(13 053.0)	Goods and services ^(a)		(12 464.7)	(17 909.0)	(17 285.6)	(623.3)	3.6
(481.9)	Other payments		(476.4)	(614.6)	(670.1)	55.5	(8.3)
(36 790.8)	Total payments		(37 222.6)	(49 763.2)	(49 345.9)	(417.2)	0.8
974.0	Net cash flows from operating activities		2 740.7	4 352.0	3 839.5	512.5	13.3
Cash flows from investing activities							
(2 721.9)	Purchases of non-financial assets		(2 986.9)	(4 018.1)	(5 312.4)	1 294.3	(24.4)
152.1	Sales of non-financial assets		185.0	360.0	384.9	(24.9)	(6.5)
(2 569.8)	Cash flows from investments in non-financial assets		(2 801.9)	(3 658.1)	(4 927.5)	1 269.4	(25.8)
(1 220.5)	Net cash flows from investments in financial assets for policy purposes		(13.3)	(719.5)	(676.8)	(42.7)	6.3
(3 790.3)	Sub-total		(2 815.2)	(4 377.7)	(5 604.3)	1 226.7	(21.9)
(651.8)	Net cash flows from investments in financial assets for liquidity management purposes		(331.1)	100.5	(17.7)	118.2	(667.6)
(4 442.0)	Net cash flows from investing activities		(3 146.3)	(4 277.1)	(5 622.0)	1 344.9	(23.9)
Cash flows from financing activities							
..	Advances received (net)		1.2	..	..	..	..
2 429.0	Net borrowings		329.4	336.9	1 935.8	(1 598.9)	(82.6)
141.8	Deposits received (net)		101.3	(0.1)	(0.1)	..	(18.7)
..	Other financing (net)		..	..	..	..	..
2 570.8	Net cash flows from financing activities		431.9	336.8	1 935.7	(1 598.9)	(82.6)
(897.2)	Net increase/(decrease) in cash and cash equivalents		26.3	411.7	153.2	258.5	168.8
3 962.0	Cash and cash equivalents at beginning of reporting period		4 500.9	4 500.9	4 500.9	..	..
3 064.7	Cash and cash equivalents at end of reporting period		4 527.2	4 912.6	4 654.1	258.5	5.6

Table B.3: Statement of cash flows for the period ended 31 March (continued)*(\$ million)*

2013-14 Actual to Mar	Notes	2014-15 Actual to Mar	Revised budget	Published budget	Budget to revised budget change	Change %
FISCAL AGGREGATES						
974.0	Net cash flows from operating activities	2 740.7	4 352.0	3 839.5	512.5	13.3
(2 569.8)	Net cash flows from investments in non-financial assets	(2 801.9)	(3 658.1)	(4 927.5)	1 269.4	(25.8)
(1 595.8)	Cash surplus/(deficit)	(61.2)	693.9	(1 088.0)	1 781.9	(163.8)

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

(a) Inclusive of goods and services tax.

Table B.4: Statement of changes in equity for the period ended 31 March

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
2013-14 (Actual)		
Balance at 1 July 2013 ^{(a)(b)(c)}	42 330.2	50.0
Net result ^{(a)(b)}	(209.2)	..
Other comprehensive income for the year ^(b)	2 672.6	..
Total equity at end of period^{(a)(b)}	44 793.6	50.0
2014-15 (Actual)		
Balance at 1 July 2014	43 531.3	50.0
Net result	1 505.5	..
Other comprehensive income for the year	(5 047.7)	..
Total equity at end of period	39 989.0	50.0
2014-15 (Revised)		
Balance at 1 July 2014	43 531.2	50.0
Net result	532.0	..
Other comprehensive income for the year	(4 234.6)	..
Total equity at end of period	39 828.6	50.0
2014-15 (Budget)		
Balance at 1 July 2014 ^{(a)(b)}	43 531.2	50.0
Net result ^{(a)(b)}	1 152.2	..
Other comprehensive income for the year ^(b)	1 383.0	..
Total equity at end of period	46 066.4	50.0

Source: Department of Treasury and Finance

Notes:

- (a) The 2013-14 comparative figures and the 2014-15 budget figures have been restated to reflect a change in accounting policy associated with the calculation of the tax liability component of the unfunded superannuation liability.
- (b) The 2013-14 comparative figures and 2014-15 budget figures have been restated to reflect a change in accounting policy associated with the valuation of school building assets.
- (c) The 2013-14 comparative figures have been restated to more accurately reflect the balances.

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
40 365.7	38 373.5	613.9	121 733.3
..	..	..	(209.2)
(680.7)	1 110.9	(5.2)	3 097.6
39 685.0	39 484.4	608.7	124 621.7
42 023.3	42 187.3	640.3	128 432.2
..	..	..	1 505.5
(76.2)	2.7	(60.5)	(5 181.8)
41 947.1	42 190.0	579.8	124 755.9
42 023.3	42 187.3	640.3	128 432.1
..	..	..	532.0
4 820.2	2 438.1	1.0	3 024.7
46 843.4	44 625.4	641.3	131 988.7
42 023.3	42 187.3	640.3	128 432.1
..	1 152.2
2 082.5	2 884.3	(3.9)	7 290.4
44 105.8	45 071.6	636.4	135 930.2

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Note 1: Statement of significant accounting policies

This March Quarter Financial Report presents the unaudited consolidated financial statements of the Victorian general government sector for the nine months ended 31 March 2015, as required by Section 26 of the *Financial Management Act 1994*.

Because this quarterly financial report does not include all the notes normally included with the annual financial report (AFR), this report should be read in conjunction with the 2013-14 AFR published in the *2013-14 Financial Report*, and the *2014-15 Mid-Year Financial Report*.

(A) Compliance framework

These financial statements have been prepared in accordance with the *Financial Management Act 1994*, having regard to the recognition and measurement principles of the applicable Australian Accounting Standards (AASs), which include Interpretations issued by the Australian Accounting Standards Board (AASB). The financial statements are also presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where applicable, those paragraphs of AASs applicable to not-for-profit entities have been applied.

(B) Basis of accounting and measurement

The accrual basis of accounting has been used in the preparation of this financial report whereby assets, liabilities, equity, revenues and expenses are recognised in the reporting period to which they relate, regardless of when cash will be received or paid.

(C) General government sector economic entity

The general government sector includes all government departments, offices and other government bodies engaged in providing services free of charge or at prices significantly below their cost of production. The services provided by these entities are financed mainly through taxes, other compulsory levies and user charges. The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity.

(D) Basis of consolidation

The March Quarter Financial Report includes all reporting entities in the general government sector that are controlled by the State. Details of entities consolidated for the general government sector are included in Note 27 of Chapter 1, which should be read in conjunction with Note 42 *Controlled entities* of the 2013-14 AFR. In the process of reporting the general government sector as a single economic entity, all material transactions and balances within the sector are eliminated.

Note 1: Statement of significant accounting policies (continued)

Entities in the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors are not consolidated into the financial statements of the Victorian general government sector, but are accounted for as equity investments measured at the Government's proportional share of the carrying amount of net assets of the PNFC and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity's net assets before consolidation eliminations is less than zero, the amount is not included at the general government sector, but the net liabilities will be consolidated at the State level. Any change in the carrying amount of the investment from period to period is accounted for as if the change in the carrying amount is a change in fair value and accounted for in a manner consistent with AASB 139 *Financial Instruments: Recognition and Measurement*.

(E) Change in accounting policy

Superannuation

Revised AASB 119 *Employee Benefits* was applicable for the first time in the 2013-14 financial year. This revised standard requires an entity to make a reliable estimate of the ultimate cost to the entity of the defined benefit schemes in estimating the net defined benefit superannuation liability.

The State previously used a net tax approach in estimating the net defined benefit superannuation liability with the expected tax payable on contributions being offset by the tax credits expected to be generated from superannuation plan assets. This approach was adopted due to the fact that the investment income on these assets is largely tax exempt and franking credits received on the investment income are expected to be available to offset the taxes payable on contributions, which in turn reduces the ultimate cost of funding the State's defined benefit schemes.

However, under the revised standard, the State notes that there are differing views regarding the treatment of expected franking credits from superannuation plan assets. Following a review of broader industry practice, including that of other jurisdictions, the State has changed its accounting policy such that the calculation of the tax liability no longer allows for the fact that taxes payable will ultimately be offset by franking credits. This change in policy will provide more relevant information to users of the financial statements as it will better facilitate inter-jurisdictional comparisons. Future franking credits and other tax offsets will be incorporated as part of the return on assets each year and recognised accordingly as they arise.

This change in accounting policy has been applied retrospectively. For the 2013-14 comparative period, the change has increased the net defined benefit superannuation liability by \$573.9 million as at 31 March 2014, with net superannuation interest expense having increased by \$17 million and associated superannuation service cost having reduced by \$25 million.

Note 1: Statement of significant accounting policies (*continued*)

Valuation of school buildings assets

For the reporting period ended 31 March 2015, the State made a change in its accounting policy for the valuation of school building assets. The State previously adjusted for economic obsolescence in the valuation of its school building assets where floor space was assessed to be permanently in excess of teaching requirements by reference to long-term enrolment data. Noting the lack of specific and definitive guidance in the application of the concept of economic obsolescence required by the Accounting Standard AASB 13 *Fair Value Measurement*, the State no longer includes an adjustment for economic obsolescence in measuring the fair value of its school assets that are still in use. This records school building assets at current replacement cost.

This change in accounting policy has been applied retrospectively. For the 2013-14 comparative period, the change has increased depreciation expense for the general government sector by \$34 million as a result of the increase to the valuation of school building assets of \$2.1 billion.

(F) Recent machinery of government changes

On 4 December 2014, the Premier announced new administrative arrangements for government entities effective from 1 January 2015. Information disclosed in the notes to the financial statements in the 2014-15 March Quarter Financial Report reflects these new administrative structures.

Note 2: Taxation

(\$ million)

2013-14		2014-15	
Actual to Mar		Actual to Mar	Revised budget
3 730.2	Taxes on employers' payroll and labour force	3 828.8	5 091.7
	Taxes on property		
	Taxes on immovable property		
1 564.1	Land tax	1 660.0	1 795.7
75.0	Congestion levy	96.0	121.6
149.5	Metropolitan improvement levy	145.7	145.7
631.2	Fire services property levy	585.8	585.8
2 419.8	Total taxes on immovable property	2 487.6	2 648.9
	Financial and capital transactions		
3 100.5	Land transfer duty	3 700.6	4 886.2
78.4	Growth Areas Infrastructure Contribution	91.6	102.6
7.4	Other property duties	1.8	1.7
85.5	Financial accommodation levy	62.7	129.4
3 271.9	Total financial and capital transactions	3 856.7	5 120.0
5 691.7	Total taxes on property	6 344.3	7 768.8
	Taxes on the provision of goods and services		
	Gambling taxes		
299.0	Public lotteries	299.2	407.9
726.2	Electronic gaming machines	797.2	1 067.2
139.7	Casino	157.3	210.6
63.1	Racing	62.4	82.3
14.6	Other	16.7	23.1
1 242.6	Total gambling taxes	1 332.8	1 791.1
82.2	Levies on statutory corporations	82.2	112.0
816.2	Taxes on insurance	832.9	1 096.9
2 141.0	Total taxes on the provision of goods and services	2 247.9	2 999.9
	Taxes on the use of goods and performance of activities		
	Motor vehicle taxes		
914.5	Vehicle registration fees	1 034.1	1 393.3
496.5	Duty on vehicle registrations and transfers	534.9	714.9
1 411.0	Total motor vehicle taxes	1 569.0	2 108.2
22.0	Liquor licence fees	21.6	22.6
200.9	Other	228.8	282.6
1 633.9	Total taxes on the use of goods and performance of activities	1 819.4	2 413.4
13 196.8	Total taxation revenue	14 240.4	18 273.9

Note 3: Dividends and income tax equivalent and rate equivalent revenue

(a) Dividends and income tax equivalent and rate equivalent revenue

(\$ million)

2013-14		2014-15	
Actual to Mar		Actual to Mar	Revised budget
136.0	Dividends from PFC sector	471.8	562.5
63.7	Dividends from PNFC sector	130.5	266.1
6.1	Dividends from non-public sector	14.3	15.5
205.8	Dividends	616.6	844.0
16.1	Income tax equivalent revenue from PFC sector	15.0	58.1
104.2	Income tax equivalent revenue from PNFC sector	97.0	117.0
120.3	Income tax equivalent revenue	111.9	175.1
4.7	Local government rate equivalent revenue	1.2	6.3
330.7	Total dividends and income tax equivalent and rate equivalent revenue	729.8	1 025.5

(b) Dividends by entity

(\$ million)

2013-14		2014-15	
Actual to Mar		Actual to Mar	Revised budget
Public financial corporations			
59.3	WorkSafe Victoria	238.7	238.7
..	Transport Accident Commission	162.5	253.2
56.3	Treasury Corporation of Victoria	50.6	50.6
16.2	Rural Finance Corporation of Victoria	17.5	17.5
1.6	State Trustees Ltd	0.8	0.8
2.6	Victorian Funds Management Corporation	1.7	1.7
136.0	Dividends from PFC sector	471.8	562.5
Public non-financial corporations			
..	Melbourne Water Corporation	21.5	28.4
4.7	City West Water Corporation	11.4	15.6
16.0	South East Water Corporation	49.3	52.0
17.7	Yarra Valley Water Corporation	21.8	31.7
24.4	Port of Melbourne Corporation	25.0	28.9
..	Urban Renewal Authority Victoria (Places Victoria)	0.6	8.4
0.9	Victoria Regional Channels Authority	0.3	0.6
..	State Electricity Commission of Victoria (Shell)	..	100.0
..	Other	0.8	0.5
63.7	Dividends from PNFC sector	130.5	266.1

Note 4: Sales of goods and services

(\$ million)

2013-14		2014-15	
Actual to Mar		Actual to Mar	Revised budget
167.8	Motor vehicle regulatory fees	179.2	232.6
382.9	Other regulatory fees	362.5	473.5
62.1	Sale of goods	57.0	73.6
2 968.6	Provision of services	3 159.4	4 029.3
42.4	Rental	48.4	59.6
5.9	Refunds and reimbursements	50.5	69.7
1 143.3	Inter-sector capital asset charge	1 186.7	1 587.2
4 773.0	Total sales of goods and services	5 043.6	6 525.5

Note 5: Grants

(\$ million)

2013-14		2014-15	
Actual to Mar		Actual to Mar	Revised budget
8 542.6	General purpose grants - goods and services tax	8 953.1	12 012.9
2 619.7	Specific purpose grants for on-passing	3 063.6	3 216.1
6 342.1	Other grants for specific purposes	6 355.2	9 232.2
17 504.4	Total	18 371.9	24 461.2
82.3	Other contributions and grants	92.0	123.0
17 586.7	Total grants	18 463.8	24 584.3

Note 6: Other revenue

(\$ million)

2013-14		2014-15	
Actual to Mar		Actual to Mar	Revised budget
9.2	Fair value of assets received free of charge or for nominal consideration	38.1	95.4
484.2	Fines	548.8	755.7
40.0	Royalties	35.6	51.3
208.2	Donations and gifts	182.5	305.5
20.0	Other non-property rental income	20.0	20.1
759.9	Other miscellaneous income	826.0	1 080.7
1 521.6	Total other revenue	1 651.1	2 308.7

Note 7: Superannuation

(a) Superannuation expense recognised in the operating statement

(\$ million)

2013-14 Actual to Mar ^(a)		2014-15 Actual to Mar	Revised budget
	Defined benefit plans		
806.7	Net superannuation interest expense	761.8	1 038.0
516.1	Current service cost	554.4	725.4
	Remeasurements:		
(406.2)	Expected return on superannuation assets excluding interest income	(473.6)	(630.4)
(527.4)	Other actuarial (gain)/loss on superannuation assets	(1 042.0)	(1 042.0)
(1 070.6)	Actuarial and other adjustments to unfunded superannuation liability	5 951.2	5 951.2
(681.4)	Total (gain)/expenses recognised in respect of defined benefit plans	5 751.8	6 042.3
	Defined contribution plans		
822.3	Employer contributions to defined contribution plans	903.9	1 077.7
58.1	Other (including pensions)	59.1	61.0
880.4	Total expense recognised in respect of defined contribution plans	963.0	1 138.7
199.0	Total superannuation (gain)/expense recognised in operating statement	6 714.8	7 181.0
	Represented by:		
806.7	Net superannuation interest expense	761.8	1 038.0
1 396.5	Other superannuation	1 517.4	1 864.1
2 203.2	Superannuation expense from transactions	2 279.2	2 902.1
(2 004.2)	Remeasurement recognised in other comprehensive income	4 435.6	4 278.8
199.0	Total superannuation expense recognised in operating statement	6 714.8	7 181.0

Note:

(a) March 2014 comparative figures have been restated to reflect a change in accounting policy associated with the calculation of the tax liability component of the unfunded superannuation liability.

(b) Superannuation liabilities

(\$ million)

2013-14 Actual to Mar ^(a)		2014-15 Actual to Mar	Revised budget
1 000.0	Current liability	999.6	1 200.0
22 903.9	Non-current liability	29 881.4	29 552.2
23 903.9	Total superannuation liability	30 881.1	30 752.2
	Represented by:		
22 911.0	Emergency Services and State Super	29 863.8	29 739.2
992.9	Other funds	1 017.3	1 013.0

Note:

(a) March 2014 comparative figures have been restated to reflect a change in accounting policy associated with the calculation of the tax liability component of the unfunded superannuation liability.

Note 8: Depreciation

(\$ million)

2013-14		2014-15	
Actual to Mar		Actual to Mar	Revised budget
68.7	Leasehold Buildings	67.4	97.8
774.6	Buildings ^(a)	768.8	1 013.8
26.9	Infrastructure systems	19.5	27.8
402.8	Plant, equipment and vehicles	417.1	656.6
421.8	Road and road networks	439.8	588.4
15.8	Cultural assets	14.6	28.9
78.2	Intangible produced assets ^(b)	81.9	84.2
1 788.7	Total depreciation^(a)	1 809.1	2 497.5

Notes:

- (a) The 2013-14 comparative figures have been restated to reflect a change in accounting policy associated with the valuation of school building assets.
- (b) Amortisation of intangible non-produced assets is included under other economic flows.

Note 9: Total expenses from transactions by department^(a)

(\$ million)

2013-14		2014-15	
Actual to Mar ^(b)		Actual to Mar	Revised budget
778.6	Economic Development, Jobs, Transport and Resources	2 808.1	4 874.3
11 123.0	Education and Training	11 442.9	14 988.5
1 757.6	Environment, Land Water and Planning	1 793.6	2 619.4
11 382.9	Health and Human Services	12 884.9	18 237.1
2 756.0	Human Services	1 923.4	1 923.4
3 948.5	Justice and Regulation	3 949.0	5 397.7
515.3	Premier and Cabinet	434.9	568.6
4 963.3	Transport, Planning and Local Infrastructure	3 455.1	3 455.1
5 118.8	Treasury and Finance	5 493.2	7 009.2
122.3	Parliament	123.3	177.5
..	Courts ^(c)	357.2	519.3
1 443.3	Regulatory bodies and other part-funded agencies ^(d)	1 416.1	1 940.9
43 909.6	Total	46 081.6	61 711.1
(6 726.3)	Less eliminations and adjustments^(e)	(7 216.8)	(9 051.6)
37 183.3	Total expense from transactions	38 864.7	52 659.4

Notes:

(a) On 4 December 2014, the Premier announced machinery of government changes effective from 1 January 2015. The following Victorian government departments were affected:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes.

(b) The March 2014 comparative figures have been updated to reflect current information.

(c) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.

(d) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore not allocated to departments.

(e) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers.

Note 10: Other gains/(losses) from other economic flows

(\$ million)

2013-14		2014-15	
Actual to Mar		Actual to Mar	Revised budget
(26.8)	Net gain/(loss) from revaluation of biological assets	..	..
(177.7)	Net (increase) in provision for doubtful receivables	(217.3)	(196.0)
(10.8)	Amortisation of intangible non-produced assets	(1.3)	(0.1)
(71.0)	Net (increase) in bad debts	(76.0)	(119.8)
(838.6)	Other gains/(losses)	(200.4)	(127.8)
(1 124.9)	Total other gains/(losses) from other economic flows	(495.0)	(443.7)

Note 11: Net acquisition of non-financial assets

(\$ million)

2013-14		2014-15	
Actual to Mar		Actual to Mar	Revised budget
2 721.9	Purchase of non-financial assets (including change in inventories)	2 986.9	4 018.1
(152.1)	Less: Sales of non-financial assets	(185.0)	(360.0)
(1 788.7)	Less: Depreciation	(1 809.1)	(2 497.5)
(232.0)	Plus: Other movements in non-financial assets	(433.0)	(1 298.0)
549.0	Total net acquisition of non-financial assets from transactions	559.8	(137.4)

Note 12: Receivables

(\$ million)

2013-14 Actual 31 Mar		Opening 1 Jul	2014-15 Actual 31 Mar	Revised budget
	Contractual			
781.9	Sales of goods and services	647.2	1 276.7	677.7
37.8	Accrued investment income	22.8	37.6	23.0
1 241.4	Other receivables	1 097.7	1 289.3	915.4
(67.0)	Provision for doubtful contractual receivables	(72.2)	(75.5)	(60.4)
	Statutory			
0.3	Sales of goods and services	5.6	10.9	4.2
2 896.3	Taxes receivables	2 141.0	3 120.9	2 260.1
1 699.1	Fines and regulatory fees	1 670.4	1 780.2	1 949.8
192.1	GST input tax credits recoverable	270.9	192.3	268.5
(888.3)	Provision for doubtful statutory receivables	(842.9)	(892.6)	(1 024.2)
5 893.7	Total receivables	4 940.6	6 729.0	5 010.0
	Represented by:			
4 716.5	Current receivables	4 006.9	5 515.9	3 870.9
1 177.2	Non-current receivables	933.7	1 213.1	1 139.2

Note 13: Property, plant and equipment

(a) Total land, buildings, infrastructure, plant and equipment

(\$ million)

2013-14		2014-15		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
23 819.1	Buildings (written down value) ^(a)	25 996.3	26 218.4	25 792.8
2 226.6	Buildings leasehold (written down value) ^(b)	2 400.8	2 806.6	2 360.8
37 354.9	Land and national parks	37 648.4	37 632.0	39 217.7
1 261.6	Infrastructure systems (written down value) ^(b)	1 247.8	1 277.8	1 253.9
2 635.0	Plant, equipment and vehicles (written down value)	2 589.9	1 943.0	2 414.7
22 195.2	Roads and road networks (written down value) ^(b)	22 103.8	22 248.3	24 310.3
7 638.8	Earthworks	7 685.2	7 685.2	8 803.4
5 514.6	Cultural assets (written down value)	5 489.5	5 483.5	5 480.0
102 645.8	Total land, buildings, infrastructure, plant and equipment^(a)	105 161.7	104 847.4	109 633.6

Notes:

- (a) The March 2014 comparative figures and 1 July 2014 opening balance figures have been restated to reflect a change in accounting policy associated with the valuation of school building assets.
- (b) The March 2014 comparative figures and 1 July 2014 opening balance figures have been changed to reflect more current information.

(b) Land and buildings

(\$ million)

2013-14		2014-15		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
27 174.5	Buildings ^(a)	27 441.0	28 210.4	28 289.3
(3 355.4)	Accumulated depreciation ^(a)	(1 444.7)	(1 992.0)	(2 496.5)
23 819.1	Buildings (written down value)^(a)	25 996.3	26 218.4	25 792.8
2 226.6	Buildings Leasehold^(b)	2 400.8	2 806.6	2 360.8
35 669.4	Land	35 962.9	35 947.7	37 480.5
1 685.5	National Parks and other 'land only' holdings	1 685.5	1 684.3	1 737.1
37 354.9	Land and national parks	37 648.4	37 632.0	39 217.7
63 400.6	Total land and buildings^(b)	66 045.5	66 657.0	67 371.3

Notes:

- (a) The March 2014 comparative figures and 1 July 2014 opening balance figures have been restated to reflect a change in accounting policy associated with the valuation of school building assets.
- (b) The March 2014 comparative figures and 1 July 2014 opening balance figures have been changed to reflect more current information.

Note 13: Property, plant and equipment (continued)

(c) Plant, equipment and vehicles, and infrastructure systems

(\$ million)

2013-14		2014-15		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
1 713.8	Infrastructure systems ^(a)	1 716.2	1 766.7	1 750.4
(452.2)	Accumulated depreciation ^(a)	(468.4)	(488.9)	(496.4)
1 261.6	Infrastructure systems (written down value)^(a)	1 247.8	1 277.8	1 253.9
5 883.6	Plant, equipment and vehicles	5 876.1	5 426.6	6 201.7
(3 483.0)	Accumulated depreciation	(3 495.2)	(3 766.5)	(3 970.9)
436.1	Leased plant, equipment and vehicles	413.0	513.3	413.6
(201.8)	Accumulated depreciation	(204.0)	(230.5)	(229.7)
2 635.0	Plant, equipment and vehicles (written down value)	2 589.9	1 943.0	2 414.7
3 896.6	Total plant, equipment and vehicles, and infrastructure systems^(a)	3 837.7	3 220.8	3 668.6

Note:

(a) The March 2014 comparative figures and 1 July 2014 opening balance figures have been changed to reflect more current information.

(d) Road networks and earthworks

(\$ million)

2013-14		2014-15		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
37 834.4	Roads and roads infrastructure ^(a)	37 890.9	38 475.2	42 653.7
(15 639.2)	Accumulated depreciation ^(a)	(15 787.1)	(16 226.9)	(18 343.4)
22 195.2	Roads (written down value)^(a)	22 103.8	22 248.3	24 310.3
7 638.8	Earthworks	7 685.2	7 685.2	8 803.4
29 834.0	Total road networks and earthworks^(a)	29 789.0	29 933.5	33 113.6

Note:

(a) The March 2014 comparative figures and 1 July 2014 opening balance figures have been changed to reflect more current information.

(e) Cultural assets

(\$ million)

2013-14		2014-15		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
5 633.8	Cultural assets	5 610.8	5 618.9	5 626.9
(119.2)	Accumulated depreciation	(121.3)	(135.3)	(146.8)
5 514.6	Total cultural assets	5 489.5	5 483.5	5 480.0

Note 14: Other non-financial assets

(\$ million)

2013-14		2014-15		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
1 108.2	Intangible produced assets	1 375.4	1 398.5	1 396.3
(522.4)	Accumulated depreciation	(603.7)	(699.5)	(673.4)
136.7	Intangible non-produced assets	0.3	41.8	9.2
(102.1)	Accumulated depreciation	(0.1)	(0.9)	(8.5)
620.3	Total intangibles	772.0	740.0	723.6
156.3	Investment properties	137.3	129.9	139.3
3.5	Biological assets ^(a)	4.9	4.4	11.2
365.8	Other assets	290.6	450.8	334.4
1 145.9	Total other non-financial assets	1 204.8	1 325.0	1 208.5

Note:

(a) The majority of biological assets comprises commercial forests and also includes any living animal, plant or agricultural produce, which is the harvested product of biological assets.

Note 15: Payables

(\$ million)

2013-14		2014-15		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
	Current payables			
860.4	Accounts payable	1 035.8	1 411.3	1 003.4
1 712.3	Accrued expenses	2 369.4	1 776.6	2 181.3
845.6	Unearned income	627.7	1 088.2	651.9
3 459.8	Total current payables	4 066.5	4 316.6	3 867.4
	Non-current payables			
88.3	Accounts payable	88.1	83.2	79.8
271.1	Accrued expenses	155.5	159.1	96.5
1 472.6	Unearned income	1 436.4	1 817.0	1 820.5
1 832.1	Total non-current payables	1 680.0	2 059.2	1 996.8
5 291.8	Total payables	5 746.5	6 375.8	5 864.2

Note 16: Employee benefits

(\$ million)

2013-14		2014-15		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
Current				
1 677.4	Accrued salaries and wages ^(a)	1 575.9	1 707.7	1 625.4
2 721.8	Long service leave	3 050.4	3 217.1	3 169.9
4 399.2	Total current employee benefits	4 626.3	4 924.9	4 795.3
Non-current				
865.4	Long service leave	676.5	712.6	724.5
865.4	Total non-current employee benefits	676.5	712.6	724.5
5 264.6	Total employee benefits	5 302.7	5 637.4	5 519.7

Note:

(a) Includes accrued annual leave and other similar on-costs.

Note 17: Application of cash resources

(\$ million)

2013-14		2014-15	
Actual		Actual	Revised
31 Mar		to Mar	budget
847.6	Net result from transactions - net operating balance	1 872.1	883.0
126.4	Add back: Non-cash revenues and expenses (net) ^(a)	868.6	3 469.1
974.0	Net cash flows from operating activities	2 740.7	4 352.0
Less:			
Net investment in fixed assets			
2 721.9	Purchases of non-financial assets	2 986.9	4 018.1
1 220.5	Net cash flows from investments in financial assets for policy purposes	13.3	719.5
(152.1)	Sales of non-financial assets	(185.0)	(360.0)
3 790.3	Net investment in fixed assets	2 815.2	4 377.7
109.5	Finance leases	..	36.4
(91.5)	Other investment activities (net)	(13.2)	3.3
(2 834.2)	Decrease/(increase) in net debt	(61.4)	(65.4)

Source: Department of Treasury and Finance

Note:

(a) Includes depreciation and movements in the unfunded superannuation liability and liability for employee benefits.

Note 18: Public Account

(a) Consolidated fund receipts and payments ^(a)

(\$ million)

2013-14		2014-15	
Actual		Actual	Revised
to Mar		to Mar	budget
Receipts			
12 422.8	Taxation ^(b)	13 793.8	18 767.0
537.3	Fines and regulatory fees	620.3	855.0
11 758.0	Grants received	11 709.2	16 538.5
3 879.0	Sales of goods and services	4 052.5	5 458.9
382.2	Interest received	370.3	541.6
493.2	Public authority receipts	735.6	1 055.0
217.2	Other receipts ^(b)	155.2	462.4
29 689.8	Total operating activities	31 437.0	43 678.4
3 105.5	Total inflows from investing and financing	963.3	2 653.2
32 795.3	Total receipts	32 400.2	46 331.6
Payments to departments			
558.4	Economic Development, Jobs, Transport and Resources	2 487.5	4 818.2
7 876.9	Education and Training	7 885.6	10 825.2
1 875.2	Environment, Land, Water and Planning	1 488.5	2 179.6
7 155.4	Health and Human Services	8 240.1	11 298.9
2 759.3	Human Services	2 038.7	2 038.7
4 026.6	Justice and Regulation	4 105.3	5 794.8
441.1	Premier and Cabinet	579.8	636.3
5 814.8	Transport, Planning and Local Infrastructure	3 783.5	3 783.5
2 509.4	Treasury and Finance	2 407.9	4 839.8
119.1	Parliament	122.8	172.6
..	Courts ^(c)	283.0	449.1
33 136.2	Total payments	33 422.5	46 836.6
(340.9)	Net receipts/(payments)	(1 022.3)	(504.9)

Notes:

- (a) On 4 December 2014, the Premier announced machinery of government changes effective from 1 January 2015. The following Victorian government departments were affected:
- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
 - the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
 - the Department of Health was renamed the Department of Health and Human Services;
 - the Department of Justice was renamed the Department of Justice and Regulation;
 - the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
 - the Department of Human Services was abolished; and
 - the Department of Transport, Planning and Local Infrastructure was abolished.
- The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and the Department of Economic Development, Jobs, Transport and Resources portfolio. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes.
- (b) The March 2014 comparative figures have been restated to reflect more current information.
- (c) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.

Note 18: Public Account *(continued)*

(b) Trust fund cash flow statement

(\$ million)

2013-14 Actual to Mar		2014-15 Actual to Mar	Revised budget
	Cash flows from operating activities		
	Receipts		
300.7	Taxation	285.7	295.5
37.2	Regulatory fees and fines	41.2	50.1
6 012.9	Grants received ^(a)	7 022.3	8 320.1
479.1	Sale of goods and services	324.3	339.8
66.7	Interest received	71.3	92.7
7 417.5	Net transfers from consolidated fund	6 767.6	7 577.5
98.4	Other receipts	109.8	155.3
14 412.5	Total receipts	14 622.1	16 830.9
	Payments		
(100.2)	Employee benefits	(113.1)	(185.7)
(8.6)	Superannuation	(9.7)	(14.0)
(13 009.6)	Grants paid ^(a)	(12 572.0)	(13 836.1)
(1 377.8)	Supplies and consumables	(1 442.9)	(2 224.6)
(6.0)	Interest paid	(4.2)	(7.5)
(14 502.1)	Total payments	(14 141.8)	(16 267.9)
(89.6)	Net cash flows from operating activities	480.3	563.1
	Cash flows from investing activities		
(0.2)	Net proceeds from customer loans	0.6	..
34.1	Proceeds from sale of property, plant and equipment	61.2	34.7
(40.2)	Purchases of property, plant and equipment	(8.0)	(30.4)
(6.2)	Other investing activities	(97.5)	(66.0)
(12.2)	Net cash flows from investing activities	(43.7)	(61.8)
	Cash flows from financing activities		
(480.1)	Net proceeds (repayments) from borrowings	(92.7)	(149.1)
(480.1)	Net cash flows from financing activities	(92.7)	(149.1)
(581.9)	Net cash inflow/(outflow)	344.0	352.2

Note:

(a) The March 2014 comparatives have been restated to reflect more current information.

Note 18: Public Account (continued)

(c) Reconciliation of cash flows to balances held

(\$ million)

	Balances held at 30 Jun 2014	Mar movement YTD	Balances held at 31 Mar 2015
Cash and deposits			
Cash balances outside the Public Account	0.4	9.0	9.3
Deposits held with the Public Account – specific trusts	550.1	242.1	792.2
Other balances held in the Public Account	2 493.8	(932.6)	1 561.2
Total cash and deposits	3 044.3	(681.5)	2 362.8
Investments			
Investments held with the Public Account – specific trusts	664.3	107.8	772.1
Total investments	664.3	107.8	772.1
Total fund balances	3 708.6	(573.8)	3 134.8
Less funds held outside the Public Account			
Cash	0.4	9.0	9.3
Total fund balances held outside the Public Account	0.4	9.0	9.3
Total funds held in the Public Account^(a)	3 708.2	(582.7)	3 125.5

Note:

(a) See Note 18 (d) below for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

(d) Details of securities held

(\$ million)

2013-14 Actual to Mar		2014-15 Opening 1 Jul	Actual 31 Mar
1 272.3	Amounts invested on behalf of specific trust accounts	1 214.4	1 564.3
1 719.5	General account balances	2 493.8	1 561.2
2 991.8	Total Public Account	3 708.2	3 125.5
	Represented by:		
1 272.3	Stocks and securities	1 214.0	1 564.3
1 535.4	Cash and investments	2 279.0	1 351.9
2 807.7	Total stock, securities, cash and investments	3 493.0	2 916.3
	Add cash advanced for:		
184.1	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	215.3	209.2
2 991.8	Total Public Account	3 708.2	3 125.5

RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

Table B.5: Operating statement for the past five quarters

	(\$ million)				
	2013-14		2014-15		
	Mar	Jun	Sep	Dec	Mar
Revenue from transactions					
Taxation revenue	5 092.9	3 704.2	4 710.7	4 053.6	5 476.1
Interest revenue	201.4	209.1	205.1	200.0	203.1
Dividends and income tax equivalent and rate equivalent revenue	107.7	115.1	51.0	615.8	63.0
Sales of goods and services	1 347.8	1 951.8	1 656.6	1 675.8	1 711.3
Grants	6 304.5	7 558.2	5 665.0	6 056.7	6 742.1
Other revenue	487.8	795.3	566.4	588.3	496.4
Total revenue from transactions	13 542.1	14 333.8	12 854.7	13 190.2	14 692.0
Expenses from transactions					
Employee expenses	4 424.1	4 705.5	4 510.1	4 808.9	4 628.2
Net superannuation interest expense ^(a)	265.1	268.0	258.1	253.5	250.2
Other superannuation ^(a)	432.9	446.6	483.9	550.9	482.6
Depreciation ^(b)	594.2	615.9	596.6	601.0	611.5
Interest expense	519.6	557.0	523.4	524.7	511.0
Grants and other transfers	2 359.6	1 319.7	2 002.6	2 127.6	2 646.3
Other operating expenses	3 730.4	5 322.7	4 063.3	4 275.0	4 155.3
Total expenses from transactions^{(a)(b)}	12 326.0	13 235.3	12 437.9	13 141.6	13 285.2
Net result from transactions – net operating balance^{(a)(b)}	1 216.1	1 098.5	416.8	48.5	1 406.8
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	1.3	(46.6)	5.1	21.0	21.2
Net gain/(loss) on financial assets or liabilities at fair value	5.9	6.1	19.3	15.3	46.3
Share of net profit/(loss) from associates/joint venture entities, excluding dividends	..	(0.1)	..	0.1	..
Other gains/(losses) from other economic flows	(954.7)	(105.8)	(90.1)	(243.3)	(161.6)
Total other economic flows included in net result	(947.5)	(146.4)	(65.8)	(206.8)	(94.0)
Net result^{(a)(b)}	268.6	952.1	351.0	(158.3)	1 312.8

Table B.5: Operating statement for the past five quarters (continued)

	(\$ million)				
	2013-14		2014-15		
	Mar	Jun	Sep	Dec	Mar
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus ^(b)	(383.2)	2 338.3	(369.9)	37.1	256.7
Remeasurement of superannuation defined benefit plans ^(a)	(422.9)	(2 294.6)	121.2	(2 585.6)	(1 971.2)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	..	2 702.9	..	2.7	..
Other movements in equity	358.7	145.4	405.8	(21.3)	(1 010.8)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(0.8)	(33.6)	(2.2)	(32.0)	(12.2)
Total other economic flows – other comprehensive income^{(a)(b)}	(448.2)	2 858.4	154.9	(2 599.2)	(2 737.5)
Comprehensive result – total change in net worth^{(a)(b)}	(179.6)	3 810.5	505.9	(2 757.4)	(1 424.8)
KEY FISCAL AGGREGATES					
Net operating balance^{(a)(b)}	1 216.1	1 098.5	416.8	48.5	1 406.8
Less: Net acquisition of non-financial assets from transactions	(14.6)	127.3	85.8	378.5	95.5
Net lending/(borrowing)^{(a)(b)}	1 230.8	971.2	330.9	(329.9)	1 311.3

The accompanying notes form part of these financial statements.

Notes:

- (a) The comparative figures have been restated to reflect a change in accounting policy associated with the calculation of the tax liability component of the unfunded superannuation liability.
- (b) The comparative figures have been restated to reflect a change in accounting policy associated with the valuation of school building assets.

Table B.6: Balance sheet as at the end of the quarter

(\$ million)

	2013-14		2014-15		
	Mar	Jun	Sep	Dec	Mar
Assets					
Financial assets					
Cash and deposits	3 064.7	4 500.9	4 095.4	4 089.5	4 527.2
Advances paid	4 593.5	4 586.9	4 575.9	4 577.9	4 573.3
Receivables	5 893.4	4 940.6	5 168.6	5 003.4	6 729.0
Investments, loans and placements	4 166.0	3 117.6	3 158.2	3 432.0	3 478.7
Investments accounted for using equity method	49.4	44.1	44.1	47.0	46.9
Investments in other sector entities ^(a)	72 586.7	75 869.2	75 875.3	76 169.5	76 357.5
Total financial assets^(a)	90 353.7	93 059.4	92 917.6	93 319.2	95 712.5
Non-financial assets					
Inventories	183.2	176.6	153.7	148.1	147.1
Non-financial assets held for sale	55.8	142.5	168.1	166.9	151.5
Land, buildings, infrastructure, plant and equipment ^(b)	102 645.8	105 161.7	105 199.6	105 480.0	104 847.4
Other non-financial assets	1 145.9	1 204.8	1 383.6	1 480.3	1 325.0
Total non-financial assets^(b)	104 030.8	106 685.6	106 905.1	107 275.3	106 470.9
Total assets^{(a)(b)}	194 384.5	199 744.9	199 822.6	200 594.5	202 183.4
Liabilities					
Deposits held and advances received	591.0	426.5	454.2	423.9	529.0
Payables	5 291.8	5 746.5	5 303.2	6 004.3	6 375.8
Borrowing	33 889.6	32 953.6	32 846.6	33 018.1	33 286.1
Employee benefits	5 264.6	5 302.7	5 500.0	5 436.0	5 637.4
Superannuation ^(c)	23 903.9	26 252.9	26 181.4	28 843.6	30 881.1
Other provisions	611.0	630.6	599.2	688.0	718.0
Total liabilities^(c)	69 551.9	71 312.8	70 884.6	74 413.9	77 427.6
Net assets^{(a)(b)(c)}	124 832.6	128 432.2	128 938.0	126 180.6	124 755.9
Accumulated surplus/(deficit) ^{(b)(c)}	44 793.6	43 531.3	44 401.7	41 621.0	39 989.0
Reserves ^{(a)(b)}	79 988.9	84 850.9	84 486.3	84 509.6	84 716.8
Non-controlling interest	50.0	50.0	50.0	50.0	50.0
Net worth^{(a)(b)(c)}	124 832.6	128 432.2	128 938.0	126 180.6	124 755.9
FISCAL AGGREGATES					
Net financial worth ^{(a)(b)(c)}	20 801.8	21 746.6	22 033.0	18 905.3	18 284.9
Net financial liabilities ^{(a)(b)(c)}	51 784.9	54 122.6	53 842.4	57 264.2	58 072.5
Net debt	22 656.3	21 174.6	21 471.3	21 342.7	21 236.0

Notes:(a) *The comparative figures have been restated to more accurately reflect the balances.*(b) *The comparative figures have been restated to reflect a change in accounting policy associated with the valuation of school building assets.*(c) *The comparative figures have been restated to reflect a change in accounting policy associated with the calculation of the tax liability component of the unfunded superannuation liability.*

Table B.7: Statement of cash flows for the past five quarters

(\$ million)

	2013-14		2014-15		
	Mar	Jun	Sep	Dec	Mar
Cash flows from operating activities					
Receipts					
Taxes received	4 032.7	4 414.2	4 585.6	4 780.5	4 276.6
Grants	6 303.4	7 557.0	5 664.0	6 055.9	6 697.6
Sales of goods and services ^(a)	1 802.0	1 628.4	1 804.8	2 102.4	1 503.0
Interest received	177.2	218.8	194.4	190.6	192.7
Dividends and income tax equivalent and rate equivalent receipts	111.3	93.6	57.1	619.1	70.7
Other receipts	472.1	767.5	411.6	590.5	163.5
Total receipts	12 898.6	14 679.4	12 717.6	14 339.0	12 904.1
Payments					
Payments for employees	(4 283.0)	(4 718.9)	(4 312.8)	(4 917.4)	(4 481.6)
Superannuation	(639.1)	(660.2)	(692.2)	(727.9)	(666.6)
Interest paid	(523.7)	(537.0)	(510.0)	(510.3)	(513.0)
Grants and subsidies	(2 428.9)	(1 159.8)	(2 180.4)	(2 135.6)	(2 633.8)
Goods and services ^(a)	(4 162.6)	(3 896.3)	(4 514.6)	(4 420.1)	(3 527.4)
Other payments	(147.7)	(738.6)	(175.6)	(163.2)	(137.6)
Total payments	(12 184.9)	(11 710.9)	(12 385.6)	(12 874.5)	(11 960.0)
Net cash flows from operating activities	713.7	2 968.5	332.0	1 464.5	944.2
Cash flows from investing activities					
Purchases of non-financial assets	(779.4)	(1 275.4)	(887.0)	(1 230.9)	(869.0)
Sales of non-financial assets	63.8	118.8	36.1	86.1	62.9
Cash flows from investments in non-financial assets	(715.6)	(1 156.6)	(850.9)	(1 144.8)	(806.1)
Net cash flows from investments in financial assets for policy purposes	(310.4)	(257.8)	208.1	(163.9)	(57.6)
Sub-total	(1 026.0)	(1 414.4)	(642.8)	(1 308.7)	(863.7)
Net cash flows from investments in financial assets for liquidity management purposes	(340.3)	983.6	(14.1)	(302.1)	(14.9)
Net cash flows from investing activities	(1 366.4)	(430.8)	(657.0)	(1 610.8)	(878.6)
Cash flows from financing activities					
Advances received (net)	..	..	..	0.8	0.4
Net borrowings	199.5	(937.2)	(108.2)	170.6	267.0
Deposits received (net)	85.1	(164.5)	27.7	(31.1)	104.7
Other financing (net)	..	..	..	..	..
Net cash flows from financing activities	284.7	(1 101.6)	(80.5)	140.3	372.1
Net increase/(decrease) in cash and cash equivalents	(368.0)	1 436.1	(405.5)	(6.0)	437.7

Table B.7: Statement of cash flows for the past five quarters (continued)

(\$ million)

	2013-14		2014-15		
	Mar	Jun	Sep	Dec	Mar
Cash and cash equivalents at beginning of reporting period	3 432.7	3 064.7	4 500.9	4 095.4	4 089.5
Cash and cash equivalents at end of reporting period	3 064.7	4 500.9	4 095.4	4 089.5	4 527.2
FISCAL AGGREGATES					
Net cash flows from operating activities	713.7	2 968.5	332.0	1 464.5	944.2
Net cash flows from investments in non-financial assets	(715.6)	(1 156.6)	(850.9)	(1 144.8)	(806.1)
Cash surplus/(deficit)	(1.9)	1 811.9	(518.9)	319.7	138.1

Note:

(a) Inclusive of goods and services tax.

APPENDIX C – COMPLIANCE INDEX – REQUIREMENTS OF THE *FINANCIAL MANAGEMENT ACT 1994*

The provisions of the *Financial Management Act 1994* have been complied with in these budget papers. Table C1 details these requirements together with appropriate references in the document.

Table C1: Statements required by the *Financial Management Act 1994* and their location in the 2015-16 Budget

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
Sections 23E-G of the <i>Financial Management Act 1994</i> Statement of financial policy objectives and strategies for the year.	Budget Paper No. 2, Chapter 1 <i>Economic and fiscal overview</i> Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i> and notes
Sections 23H-J of the <i>Financial Management Act 1994</i> Estimated financial statements for the year comprising: <ul style="list-style-type: none"> – an estimated statement of financial performance; – an estimated statement of financial position at the end of the year; – an estimated statement of cash flows for the year; and – a statement of the accounting policies on which these statements are based and explanatory notes. 	Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i> and notes
Section 23K of the <i>Financial Management Act 1994</i> Accompanying statements in association with each set of estimated financial statements comprising: <ul style="list-style-type: none"> – a statement of the material economic and other assumptions that have been used in preparing the estimated financial statements; 	Budget Paper No. 2, Chapter 2 <i>Economic context</i> Budget Paper No. 2, Chapter 4 <i>Budget position and outlook</i> Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i> and notes

Table C1: Statements required by the *Financial Management Act 1994* and their location in the 2015-16 Budget (continued)

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
<ul style="list-style-type: none"> – a discussion of the sensitivity of the estimated financial statements to changes in those economic and other assumptions; – an overview of the estimated tax expenditures for the financial years covered by the estimated financial statements; and – a statement of risks that may have a material effect on the estimated financial statements. 	<p>Budget Paper No. 2, Appendix A <i>Sensitivity analysis</i></p> <p>Budget Paper No. 5, Chapter 5 <i>Tax expenditures and concessions</i></p> <p>Budget Paper No. 2, Chapter 2 <i>Economic context</i> Budget Paper No. 2, Chapter 4 <i>Budget position and outlook</i> Budget Paper No. 5, Chapter 6 <i>Contingent assets and contingent liabilities</i></p>
<p>Section 26(1) of the <i>Financial Management Act 1994</i> A quarterly financial report for each quarter of each financial year.</p>	<p>Budget Paper No. 5, Appendix B 2014-15 Budget <i>outcome incorporating the financial report for the March quarter 2015</i></p>
<p>Section 40 of the <i>Financial Management Act 1994</i> A statement of information under departmental headings setting out:</p> <ul style="list-style-type: none"> – a description of the goods and services to be produced or provided by each department during the period to which the statement related, together with comparative information for the preceding financial year; – a description of the amount available or to be available to each department during the period to which the statement relates, whether appropriated by the Parliament for that purpose or otherwise received or to be received by the department, together with comparative figures for the preceding financial year; and – the estimated amount of the receipts and receivables of each department during the period to which the statement relates, together with comparative figures for the preceding financial year. 	<p>Budget Paper No. 3, Chapter 2 <i>Departmental performance statements</i></p> <p>Budget Paper No. 5, Chapter 3 <i>Departmental financial statements</i></p> <p>Budget Paper No. 3, Chapter 2 <i>Departmental performance statements</i></p>
<p>Section 16B of the <i>Audit Act 1994</i> The Auditor-General reviews and reports on the estimated financial statements to ensure they are consistent with accounting convention and that the methodologies and assumptions used are reasonable.</p>	<p>Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector and notes</i></p>

STYLE CONVENTIONS

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage changes in all tables are based on the underlying unrounded amounts.

The notation used in the tables and charts is as follows:

n.a.	not available or not applicable
Cat. No.	catalogue number
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
tbc	to be confirmed
ongoing	continuing output, program, project etc.
(xxx.x)	negative numbers
xxxx.0	rounded amount
ytd	year to date

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(incorporating Quarterly
Financial Report No. 3)
Budget Paper No. 5
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