**Budget Update**

**2018‑19**

Decorative

Presented by

**Tim Pallas MP**

Treasurer of the State of Victoria

for the information of Honourable Members

The Secretary

Department of Treasury and Finance

1 Treasury Place

Melbourne, Victoria, 3002

Australia

Tel: +61 3 9651 5111

Fax: +61 3 9651 2062

Website: dtf.vic.gov.au

Authorised by the Victorian Government

1 Treasury Place, Melbourne, 3002

Printed by Doculink, Port Melbourne

Printed on recycled paper

© State of Victoria 2018

(Department of Treasury and Finance)



You are free to re-use this work under a Creative Commons Attribution 4.0 licence, provided you credit the State of Victoria (Department of Treasury and Finance) as author, indicate if changes were made and comply with the other licence terms. The licence does not apply to any branding, including Government logos.

Copyright queries may be directed to  
[IPpolicy@dtf.vic.gov.au](mailto:IPpolicy@dtf.vic.gov.au).

ISSN 2204-7182 (print)

ISSN 2204-4701 (online)

Published December 2018

**TABLE OF CONTENTS**

[Chapter 1 – Economic and fiscal overview 1](#_Toc531884942)

[Chapter 2 – Economic context 2](#_Toc531884943)

[Victorian economic conditions and outlook 2](#_Toc531884944)

[Australian economic conditions and outlook 2](#_Toc531884945)

[International economic conditions and outlook 2](#_Toc531884946)

[Risks to the outlook 2](#_Toc531884947)

[Chapter 3 – Budget position and outlook 2](#_Toc531884948)

[General government sector 2](#_Toc531884949)

[Budget and forward estimates outlook 2](#_Toc531884950)

[Fiscal risks 2](#_Toc531884951)

[Non‑financial public sector 2](#_Toc531884952)

[Non‑financial public sector net debt and net financial liabilities 2](#_Toc531884953)

[State of Victoria 2](#_Toc531884954)

[Chapter 4 – Estimated financial statements and notes 2](#_Toc531884955)

[Estimated general government sector comprehensive operating statement 2](#_Toc531884956)

[Estimated general government sector balance sheet 2](#_Toc531884957)

[Estimated general government sector cash flow statement 2](#_Toc531884958)

[Estimated general government sector statement of changes in equity 2](#_Toc531884959)

[Chapter 5 – Supplementary uniform presentation framework tables 2](#_Toc531884960)

[Chapter 6 – Contingent assets and contingent liabilities 2](#_Toc531884961)

[Contingent assets 2](#_Toc531884962)

[Contingent liabilities 2](#_Toc531884963)

[Appendix A – Specific policy initiatives affecting budget position 2](#_Toc531884964)

[Appendix B – Amendments to the 2018-19 output performance measures 2](#_Toc531884965)

[Appendix C – Tax expenditures and concessions 2](#_Toc531884966)

[Appendix D – Sensitivity analysis 2](#_Toc531884967)

[Fiscal impacts of variations to the economic outlook 2](#_Toc531884968)

[Sensitivity to independent variations in major economic parameters 2](#_Toc531884969)

[Appendix E – Quarterly Financial Report for the Victorian general government sector – September 2018 2](#_Toc531884970)

[Appendix F – Requirements of the *Financial Management Act 1994* 2](#_Toc531884971)

[Style conventions 2](#_Toc531884972)

Chapter 1 – Economic and fiscal overview

* **Strong economic growth** – by leading the rest of Australia, Victoria has become the economic engine room of the nation.
* **Robust jobs growth** – with unemployment at a seven-year low and new jobs spread broadly across industries and regions.
* **Record infrastructure spend** – building productivity‑enhancing infrastructure that creates jobs, drives economic growth and improves living standards for all Victorians.
* **Sound financial management** – maintaining healthy budget surpluses and Victoria’s triple-A credit rating.

The Government has been delivering for all Victorians over the past four years: investing in education and skills; improving healthcare; building new schools and hospitals; investing in public transport and roads; making our community safer; and creating more jobs for Victorians. The re‑elected Government will be continuing this momentum, maintaining a strong economy while delivering the services and infrastructure our growing State needs.

Victoria’s economy continues to lead the nation, creating new jobs and prosperity for all Victorians. Real gross state product (GSP) increased by 3.5 per cent in 2017‑18, stronger than the 3.25 per cent estimate in the *2018 Pre-Election Budget Update* and well above the national growth rate of 2.8 per cent. Real GSP per capita grew by 1.2 per cent in 2017‑18. This is the fifth successive rise in Victoria’s real GSP per capita, the longest period of growth since the global financial crisis. At the same time, 389 000 jobs have been created since November 2014 and the unemployment rate now stands at a seven-year low of 4.5 per cent.

Another year of above-trend growth is expected in 2018-19, with forecast GSP growth of 3.0 per cent. The positive outlook is supported by low interest rates and a strong labour market. Household consumption and public demand, driven by the Government’s investment in services and infrastructure, are expected to make strong contributions to GSP growth.

The Government’s clear and responsible fiscal strategy and strong financial management means Victoria’s finances are in excellent health. The Government has achieved surpluses averaging $2.2 billion over the past four years and maintained Victoria’s triple-A credit rating with Moody’s and Standard & Poor’s. In recent reports, Moody’s noted Victoria’s triple‑A rating is well placed when compared to most Australian states and territories with healthy economic growth, positive fiscal results, strong revenue growth, a manageable debt burden, and the State’s diversified revenue base protecting it against downturns. Standard & Poor’s recognised the State’s very strong financial management and economy, exceptional liquidity and the extremely predictable and supportive institutional framework.

The operating surplus is estimated to be $2.2 billion in 2018‑19, and average $2.5 billion a year over the forward estimates.

Government infrastructure investment is projected to reach $13.4 billion in 2018‑19, and average $10.6 billion a year over the budget and forward estimates. This is more than double the average of $4.9 billion a year from 2005‑06 to 2014‑15.

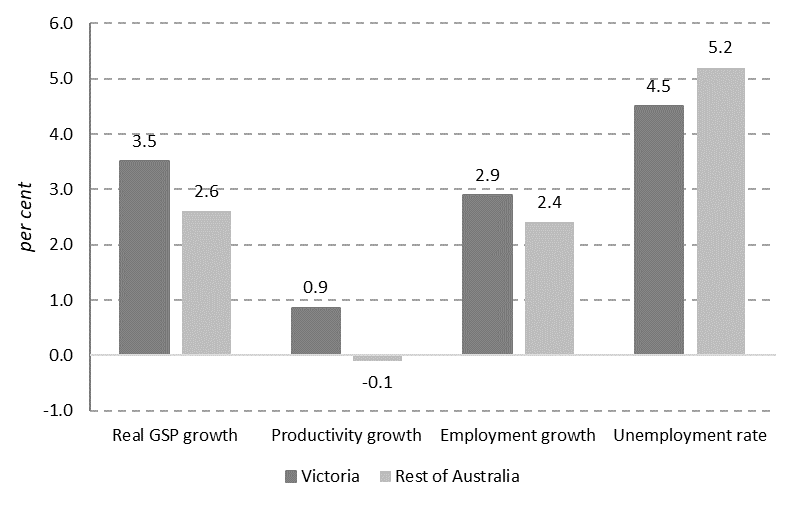
**VICTORIA – The engine ROOM of the nation**

Victoria’s economy grew by 3.5 per cent in 2017‑18, the strongest increase of all the states and above the national growth rate of 2.8 per cent. Over the past four years, real GSP growth has averaged 3.5 per cent a year.

A strong economy means more jobs. Victoria’s strong economic activity has driven above-trend employment growth since 2014-15. Since November 2014, employment in Victoria has grown by 13.3 per cent, or 389 000 persons, with almost three-quarters of these being full‑time jobs. This has helped produce a sharp decline in the unemployment rate. In October 2018, Victoria’s unemployment rate fell to a seven-year low of 4.5 per cent, well down from the 6.7 per cent inherited from the previous Government in November 2014. Jobs growth has been spread across the State, driving the regional unemployment rate to a record low of 4.4 per cent and the Melbourne unemployment rate to 4.5 per cent.

Victoria’s economy is the engine room of the nation. Victoria is outperforming the rest of Australia in real economic growth, productivity growth, and jobs growth (Chart 1.1).

**Chart 1.1: Selected economic indicators, Victoria and rest of Australia, latest data (a)**



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

Note:

(a) GSP and labour productivity growth refer to 2017-18; employment growth and the unemployment rate is at October 2018.

The economic outlook for Victoria is positive. Another year of above-trend growth is forecast for 2018‑19. Growth will be supported by solid contributions from household consumption, business investment and public demand, driven by the Government’s record infrastructure program. Reflecting this, another strong year of above-trend employment growth is expected.

Strong economic growth is improving the well-being of Victorians. Real GSP growth has expanded faster than the population in each of the past five years. This means the State’s economic performance is raising the average living standards of Victorians. Real economic growth is expected to continue to outpace the increase in population over the forward estimates. This is expected to translate to rising wages growth over the forecast period.

**CONSOLIDATING Strong financial foundations FOR the FUTURE**

The Government’s *2018-19 Budget* consolidated its demonstrated track record of responsible financial management.

The general government operating surplus (net result from transactions) is forecast to be $2.2 billion in 2018‑19, and average $2.5 billion a year across the forward estimates. Over the next four years, revenue is expected to grow by an average of 4.1 per cent a year, which is greater than average annual expense growth of 4.0 per cent. Net debt as a percentage of GSP was 4.6 per cent at June 2018 and is currently projected to be 6.0 per cent by 30 June 2022, lower than the level published by the previous government in its final year in office.

**Table 1.1: General government fiscal aggregates**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Unit of measure | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| Net result from transactions | $ billion | 2.2 | 1.7 | 2.7 | 3.0 |
| Government infrastructure investment (a) | $ billion | 13.4 | 11.4 | 9.7 | 8.0 |
| Net debt | $ billion | 22.5 | 27.8 | 30.3 | 31.8 |
| Net debt to GSP (b) | per cent | 5.0 | 5.8 | 6.0 | 6.0 |

*Source: Department of Treasury and Finance*

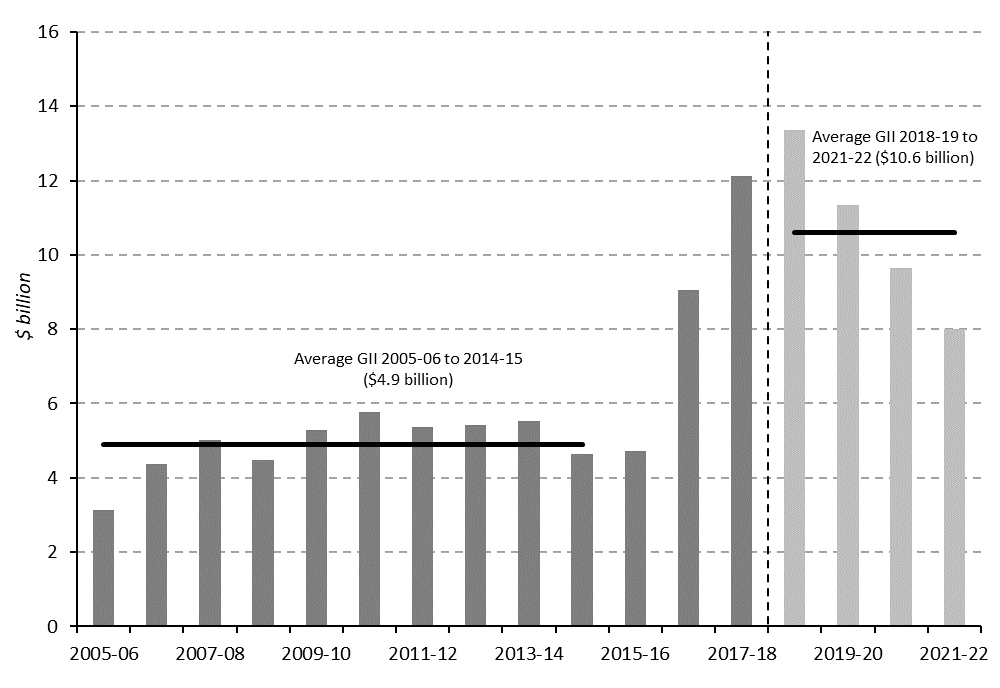
*Notes:*

*(a) Includes general government net infrastructure investment and estimated construction costs for Partnerships Victoria projects.*

(b) The ratios to GSP may vary from publications year to year due to revisions to the Australian Bureau of Statistics GSP data.

Government infrastructure investment is forecast to average $10.6 billion a year over the budget and forward estimates period, more than double the average of $4.9 billion a year from 2005-06 to 2014-15 (Chart 1.2).

**Chart 1.2: Government infrastructure investment (a)(b)**



*Source: Department of Treasury and Finance*

*Notes:*

*(a) Includes general government net infrastructure investment and estimated construction costs for Partnerships Victoria projects.*

*(b) Excludes the impact of the medium‑term lease over the operations of the Port of Melbourne and the divestment of Victoria’s share of Snowy Hydro Limited.*

During the 2018 election the Government committed to increasing borrowings to 12 per cent of GSP (including accounting standards changes) over the medium term to fund three visionary capital projects: the North-East Road Link; the Melbourne Airport Rail Link; and an additional 25 level crossings to be removed by 2025.

In its credit opinion released on 26 November 2018, Moody’s noted that the ‘State Government expects total net debt to GSP to increase to approximately 12 per cent over the medium term, a level that we consider to be manageable within Victoria’s current triple-A rating and stable outlook’.

The *2018-19 Budget* reflected the Government’s commitment to its long‑term financial management objectives set out in Table 1.2.

**Table 1.2: Long‑term financial management objectives**

|  |  |
| --- | --- |
| Priority | Objective |
| Sound financial management | Victoria’s finances will be managed in a responsible manner to provide capacity to fund services and infrastructure at levels consistent with maintaining a triple‑A credit rating. |
| Improved services | Public services will improve over time. |
| Building infrastructure | Public infrastructure will grow steadily over time to meet the needs of a growing population. |
| Efficient use of public resources | Public sector resources will be invested in services and infrastructure to maximise the economic, social and environmental benefits. |

Progress towards these objectives is measured against the targets described in Table 1.3.

**Table 1.3: Medium-term financial measures and targets**

|  |  |
| --- | --- |
| Financial measures | Target |
| Net debt | General government net debt as a percentage of GSP to be maintained at a sustainable level over the medium term. |
| Superannuation liabilities | Fully fund the unfunded superannuation liability by 2035. |
| Operating surplus | A net operating surplus consistent with maintaining general government net debt at a sustainable level over the medium term. |

The healthy financial outcomes and projections in this Budget Update validate the fiscal strategy successfully implemented by the Government and underpins Victoria’s triple‑A credit rating.

The Government’s responsible financial management and its prudent use of public resources has created the capacity to keep improving public services, reduce costs to business, and continue a record infrastructure program that will boost productivity, increase export capacity and create jobs.

The Government will review and publish its financial objectives and measures, consistent with requirements under the *Financial Management Act 1994*, as part of the *2019-20 Budget*.

**Key new initiatives since the *2018-19 Budget***

Appendix A of the *2018 Pre-Election Budget Update* outlines specific policy initiatives that affect outputs and assets, including Treasurer’s Advances, agreed by the Government since the *2018-19 Budget* and before the issue of the election writs on 30 October 2018.

Chapter 2 – Economic context

Victoria’s economy is expanding at an above-trend pace, and growth in 2017‑18 was slightly stronger than forecast in the *2018 Pre-Election Budget Update*.

Labour market conditions are positive, with further solid growth in employment expected in 2018‑19.

Population growth is forecast to moderate after a prolonged period of strength.

Price pressures remain subdued, and inflation in 2018-19 is now expected to be slightly below the *2018 Pre-Election Budget Update* estimate*.*

National and global economic conditions are supportive of Victoria’s economic outlook as the economic cycle matures.

Uncertainty surrounding the outlook for the residential property market and global trade policy is elevated, but risks to Victoria’s outlook are balanced.

# Victorian economic conditions and outlook

The economy is evolving broadly as expected at the *2018 Pre‑Election Budget Update*, with economic growth to ease gradually from recent above trend rates, to around trend of 2.75 per cent from 2019‑20.

Victoria’s economy has recorded above-trend growth in recent years. Economic output, as measured by real gross state product (GSP), was stronger than expected in 2017‑18, and the growth rate for 2016‑17 was revised higher. Economic activity has been supported by an extended period of low interest rates and strong population growth, which has underpinned higher levels of consumer spending and dwelling investment. The contribution to growth from public demand has increased, while business conditions have improved and investment is rising. Exports, particularly in services, have continued to expand, aided by the weaker Australian dollar.

Conditions have also improved at the national level, with growth in gross domestic product (GDP) accelerating over the past year. In part, this reflects a further reduction in the drag from mining investment. Domestic demand has firmed, and resource exports are growing strongly, helped by the stronger global economy. Reflecting this, economic conditions in the mining states are improving.

The global backdrop remains generally positive, with many advanced economies growing at above‑trend rates, supported by still accommodative monetary and/or fiscal policy settings. However, there is growing uncertainty around the medium-term outlook, reflecting risks from rising interest rates in the United States and the direction of global trade policy.

Table 2.1 sets out the economic forecasts, with the *2018 Pre-Election Budget Updat*e forecasts in italics where different.

Table 2.1: Victorian economic forecasts (a) (per cent)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2017-18 actual | 2018-19 forecast | 2019-20 forecast | 2020-21 projection | 2021-22 projection |
| Real gross state product | 3.5 | 3.00 | 2.75 | 2.75 | 2.75 |
|  | *3.25* |  |  |  |  |
| Employment | 2.7 | 2.50 | 2.00 | 1.75 | 1.75 |
| Unemployment rate (b) | 5.6 | 4.75 | 5.00 | 5.25 | 5.50 |
| Consumer price index (c) | 2.3 | 2.25 | 2.50 | 2.50 | 2.50 |
|  |  | *2.50* |  |  |  |
| Wage price index (d) | 2.3 | 2.75 | 3.00 | 3.25 | 3.50 |
| Population (e) | 2.2 (f) | 2.1 | 2.0 | 1.9 | 1.9 |

Sources: Department of Treasury and Finance; Australian Bureau of Statistics.

Notes:

(a) Percentage change in year average terms compared with previous year, except for the unemployment rate (see note (b)) and population (see note (e)). Forecasts are rounded to the nearest 0.25 percentage points, except for population (see note (e)).

Projections for 2020‑21 and 2021‑22 represent long-run average growth rates, except for the wage price index, which remains below trend in 2020-21, and population growth, which remains above trend by 2021‑22.

The key assumptions underlying the economic forecasts include: interest rates are reflective of movements in market expectations; an Australian dollar trade-weighted index of 62.6; and oil prices that follow the path suggested by the futures market.

(b) Year average, per cent.

(c) Melbourne consumer price index.

(d) Wage price index, Victoria (based on total hourly rates of pay, excluding bonuses).

(e) Percentage change over the year to 30 June. Forecasts are rounded to the nearest 0.1 percentage point.

(f) Estimate, actual not yet available.

## Gross state product

Victoria’s economy grew by 3.5 per cent in 2017‑18, higher than the 3.25 per cent growth rate forecast in the *2018 Pre-Election Budget Update.* This was the largest increase of all the states and marked the 26th year of uninterrupted growth in Victoria. The GSP growth rate in the prior year, 2016‑17, was also revised higher by the Australian Bureau of Statistics to 4.0 per cent, from 3.3 per cent previously reported. The major contributors to growth in 2017‑18 were consumer spending, public demand and business investment. In 2018-19, GSP growth is forecast to ease to around 3.0 per cent, still above trend.

Consumer spending has been a solid contributor to economic growth in recent years, underpinned by population and employment growth, low interest rates and rising household wealth. After expanding by 3.8 per cent in 2017-18, the highest increase in seven years, growth in household consumption is expected to moderate in 2018-19. This reflects the impact of slowing growth in population and household wealth, relatively modest wage growth, and high levels of household debt in a rising interest rate environment.

Dwelling investment has also risen strongly in recent years and activity in 2018‑19 is forecast to remain at historically high levels. A large pipeline of residential construction work is expected to continue to support activity in the near term. However, a weakening in building approvals and investor demand, reflecting tighter credit conditions and lower house price expectations, points to a modest decline in the level of dwelling investment into 2019. The short-term outlook for the residential property market remains a key source of uncertainty for dwelling investment and household consumption, particularly in light of recent declines in dwelling prices and housing market activity. Nonetheless, solid population growth should help support underlying demand for housing over the medium term.

All major components of business investment rose in 2017‑18, with overall investment growing by 9.7 per cent. Non-dwelling construction has been strong, especially the construction of office buildings, tourist accommodation and education facilities. The increase in investment is consistent with surveys indicating ongoing positive business conditions in Victoria and nationally. Growth in business investment is expected to remain positive over the forecast horizon.

The contribution to economic growth from public demand has also been strong, and this is expected to continue in 2018-19. Public investment is forecast to remain at high levels, supported by the Government’s large pipeline of infrastructure spending.

Exports of goods and services rose in 2017‑18, although at a slower pace than imports; growth in merchandise imports was particularly strong, consistent with the strength in consumer spending and business investment. Looking forward, the contribution from net exports is anticipated to improve in 2018‑19, as merchandise import growth moderates and exports remain solid. The global economic backdrop is expected to remain positive in the near term, while the depreciation of the Australian dollar should also support export growth.

Overall, the economic outlook for Victoria remains positive. Following forecast growth of 3.0 per cent in 2018‑19, real GSP growth is expected to return to its trend rate of around 2.75 per cent per annum from 2019-20.

## Labour market

Victoria’s labour market has been strong in recent years, with solid gains in employment, record rates of labour force participation and a declining unemployment rate. Employment rose by 2.7 per cent in 2017‑18, its fourth year of above-trend growth, supporting a decline in the unemployment rate to 5.6 per cent on average over the year. By industry, employment growth was particularly strong in construction, professional, scientific and technical services, retail trade, and accommodation and food services.

The positive momentum has continued into 2018‑19, with the latest data showing employment growth of 2.9 per cent over the year to October 2018 and an unemployment rate of 4.5 per cent. Since the start of 2018, the unemployment rate has declined by 1.6 percentage points.

Labour market conditions are expected to remain solid, consistent with leading indicators of labour demand. Employment is forecast to rise by 2.5 per cent in 2018‑19 and by 2.0 per cent in 2019-20. The unemployment rate is expected to average 4.75 per cent in year-average terms in 2018‑19, which would represent an 11-year low.

## Prices and wages

The Melbourne consumer price index increased by 2.3 per cent in 2017‑18, and is forecast to remain around 2.25 per cent in 2018‑19. This is a small downward revision from the *2018 Pre-Election Budget Update* estimate of 2.5 per cent, reflecting low inflationary pressures in the first quarter of the financial year. Inflation is forecast to reach 2.5 per cent in 2019‑20, the middle of the Reserve Bank of Australia’s 2‑3 per cent target band.

Wage growth across Australia and in Victoria has remained subdued despite the decline in the unemployment rate over the past few years. In part, this reflects the strong growth in labour supply in Victoria. However, as this growth moderates, and with labour demand anticipated to remain relatively strong, wage growth is expected to increase gradually over the forecast horizon. Overall, wages are forecast to increase by 2.75 per cent in 2018‑19, up from 2.3 per cent in 2017‑18.

**Population**

Victoria’s population growth has been strong in recent years, driven by high levels of both net overseas and interstate migration. In the year to the March quarter 2018, Victoria’s population grew by 2.2 per cent, compared to 1.6 per cent for Australia as a whole. The increased levels of migration – interstate migration in particular – reflect Victoria’s economic performance in recent years. However, with economic conditions continuing to normalise between the mining and non-mining states, migration levels are expected to moderate. Population growth is forecast to be 2.1 per cent in 2018‑19.

# Australian economic conditions and outlook

Australian economic conditions have improved over the past year, supported by low interest rates and the ongoing strength in the global economy. GDP grew by 2.8 per cent in 2017‑18 and 3.4 per cent through the year to the June quarter 2018, pointing to increased momentum in the first half of 2018. Business conditions are positive, supporting growth in non‑mining investment, while public demand is also underpinning activity. The positive global economic backdrop is boosting exports, with resource exports particularly strong.

Solid growth is expected in non-rural exports, business investment, consumer spending and public infrastructure investment. In its *2018‑19 Budget*, the Commonwealth Treasury forecast GDP growth of 3.0 per cent in 2018‑19. This underpins a further rise in the forecast for employment, taking the national unemployment rate to a forecast average of 5.25 per cent in the June quarter 2019, from 5.5 per cent in 2017‑18.

It is anticipated the continued labour market improvement will produce a gradual increase in wage growth and inflation pressures over the next couple of years.

# International economic conditions and outlook

The global economy is continuing to expand at a solid pace, with above-trend growth in key advanced economies. According to the International Monetary Fund’s (IMF) October 2018 *World Economic Outlook*, global growth is projected to remain at 3.7 per cent in both 2018 and 2019, the same rate recorded in 2017. This is a small downward revision from the IMF’s previous estimate of 3.9 per cent for both years.

Economic growth in the United States is strong, supported by a sizeable fiscal stimulus, and the unemployment rate has fallen below 4 per cent. While near-term momentum remains positive, growth is expected to ease as financial conditions continue to tighten and as the economy faces increased capacity constraints. Economic conditions in Asia are strong, notwithstanding some further moderation in Chinese growth, which the IMF forecasts will continue into 2019.

Despite the current global strength, the IMF cautions that the global expansion is becoming less even, and that downside risks to the outlook are growing. These risks include growing trade protectionism and rising United States interest rates.

# Risks to the outlook

The risks to Victoria’s economic outlook are balanced and unchanged from *2018 Pre‑Election Budget Update*. See Appendix D *Sensitivity Analysis* for an assessment of the impact from some of these risks. On the upside, while the outlook is for economic growth to moderate to around trend rates as Victoria’s economic cycle matures, the economy retains significant momentum, particularly in the labour market, and may remain stronger for longer than currently envisaged. A faster than expected recovery in wages combined with favourable employment conditions would support consumption growth in the near term. Persistent strength in population growth or a higher participation rate could lead to higher employment and GSP growth.

On the downside, the current, orderly adjustment in Victoria’s residential property market could prove deeper than is currently factored into the forecasts. There is a risk that sentiment in the market may weaken more significantly, particularly if domestic credit conditions tighten further, or if accompanied by an external shock, such as higher than anticipated global interest rates (as discussed below). A weaker housing market could lead to softer household sentiment, lower consumption and dwelling investment, and slower growth in employment, wages and real GSP.

Global risks are tilted to the downside, with key threats relating to the risk of a larger than expected increase in United States interest rates or rising trade protectionist sentiment impacting on global growth. The heightened sense of uncertainty around these risks has been reflected in volatility in financial markets recently, particularly equity markets, which in itself may impact the Victorian economy.

Chapter 3 – Budget position and outlook

The general government sector operating surplus is estimated to be $2.2 billion in 2018‑19 and average $2.5 billion across the forward estimates.

Government infrastructure investment is projected to average $10.6 billion a year over the budget and forward estimates.

Net debt is expected to be 6.0 per cent of gross state product (GSP) by June 2021, and remain at that level in 2021-22.

Revenue growth is expected to average 4.1 per cent a year over the budget and forward estimates, exceeding average expense growth of 4.0 per cent a year.

This chapter presents the revised budget position of the Victorian public sector, incorporating the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector for the budget year and forward estimates.

It takes into account the financial impacts as at 30 November 2018 of all decisions that affect the financial statements, unless otherwise stated.

This chapter also reconciles and explains any movements since the *2018 Pre-Election Budget Update* that affect the estimated net result from transactions.

# General government sector

## Overview

The operating result (net result from transactions) for the general government sector in 2018‑19 is forecast to be a surplus of $2.2 billion, with annual operating surpluses averaging $2.5 billion over the forward estimates (Table 3.1).

Revenue growth is expected to average 4.1 per cent a year over the budget and forward estimates, compared to average expense growth of 4.0 per cent a year.

Table 3.1: General government fiscal aggregates

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Unit of measure | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| Net result from transactions | $ billion | 2.2 | 1.7 | 2.7 | 3.0 |
| Government infrastructure investment (a) | $ billion | 13.4 | 11.4 | 9.7 | 8.0 |
| Net debt | $ billion | 22.5 | 27.8 | 30.3 | 31.8 |
| Net debt to GSP (b) | per cent | 5.0 | 5.8 | 6.0 | 6.0 |

Source: Department of Treasury and Finance

Notes:

(a) Includes general government net infrastructure investment and estimated construction costs for Partnerships Victoria projects.

(b) The ratios to GSP may vary from publications year to year due to revisions to the Australian Bureau of Statistics GSP data.

Government infrastructure investment is projected to average $10.6 billion a year over the next four years, more than double the average of $4.9 billion a year from 2005-06 to 2014‑15.

Net debt is expected to be $31.8 billion by June 2022. As a proportion of GSP, net debt is projected to increase from its June 2019 level of 5.0 per cent to 6.0 per cent by June 2021, and remain at that level in 2021-22.

# Budget and forward estimates outlook

Table 3.2 summarises the operating statement for the general government sector. A comprehensive operating statement is presented in Chapter 4 *Estimated financial statements and notes*.

Table 3.2: Summary operating statement for the general government sector (a) ($ million)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| **Revenue** |  |  |  |  |
| Taxation | 24 092 | 25 050 | 25 836 | 27 116 |
| Dividends, tax equivalent revenue and interest (b) | 1 921 | 1 369 | 1 357 | 1 319 |
| Sales of goods and services | 7 594 | 8 417 | 8 685 | 8 726 |
| Grant revenue | 33 515 | 33 697 | 34 686 | 35 942 |
| Other current revenue | 2 636 | 2 594 | 2 656 | 2 714 |
| **Total revenue** | **69 757** | **71 128** | **73 221** | **75 817** |
| *% change* | *8.0* | *2.0* | *2.9* | *3.5* |
| **Expenses** |  |  |  |  |
| Employee expenses | 24 986 | 26 446 | 27 495 | 28 565 |
| Superannuation (c) | 3 439 | 3 441 | 3 482 | 3 572 |
| Depreciation | 2 921 | 3 033 | 3 332 | 3 526 |
| Interest expense | 2 090 | 2 133 | 2 211 | 2 260 |
| Grant expense | 12 785 | 14 045 | 14 007 | 14 411 |
| Other operating expenses | 21 296 | 20 305 | 20 016 | 20 498 |
| **Total expenses** | **67 517** | **69 403** | **70 544** | **72 833** |
| *% change* | *8.4* | *2.8* | *1.6* | *3.2* |
| **Net result from transactions** | **2 241** | **1 725** | **2 677** | **2 984** |
| **Total other economic flows included in net result (d)** | **(233)** | **(251)** | **(265)** | **(284)** |
| Net result | 2 008 | 1 473 | 2 412 | 2 700 |

Source: Department of Treasury and Finance

Notes:

(a) Figures in this table are subject to rounding to the nearest million and may not add up to totals.

(b) Comprises dividends, income tax and rate equivalent revenue and interest.

(c) Comprises superannuation interest expense and other superannuation expenses.

(d) This typically includes gains and losses from the disposal of non‑financial assets, adjustments for bad and doubtful debts and revaluations of financial assets and liabilities.

## Revenue outlook

Total revenue for the general government sector is expected to be $69.8 billion in 2018‑19, with revenue growth projected to average 4.1 per cent a year over the budget and forward estimates.

### Taxation

Taxation revenue is forecast to be $24.1 billion in 2018-19, with the rate of growth in property related taxes forecast to decelerate. Residential property market conditions in 2018 have weakened after several years of strong growth in prices and volume, with residential property prices in Victoria recording negative growth of 3.5 per cent in the year to October 2018 (Melbourne recorded negative growth of 4.7 per cent). Specifically:

* land transfer duty revenue is forecast to decline by 6.8 per cent to $6.5 billion in 2018‑19 and grow by 2.1 per cent in 2019-20. Growth is expected to average 3.5 per cent each year over the forward estimates. Land transfer duty revenue was revised down by $2.4 billion over four years at the *2018 Pre‑Election Budget Update*. Since then, residential prices, auction clearance rates and housing sentiment have weakened further, however, land transfer duty revenue remains stronger than these residential measures alone would suggest. In part, this reflects the changing composition of land transfer duty revenues and the resilience of duties from non‑residential transactions; and
* land tax revenue is forecast to increase to $3.4 billion in 2018-19, reflecting rising residential and commercial property values and an increase in the number of liable properties between 1 January 2016 and 31 December 2017. Land tax revenue growth is projected to moderate over the forward estimates as current property market conditions flow through to land valuations.

Taxation revenue from sources other than property is expected to increase at a steady rate over the forward estimates period. Strong economic growth in Victoria is translating into tighter labour market conditions and strengthening wage and income growth. Specifically:

* payroll tax revenue is forecast to grow by 6.1 per cent in 2018-19 to $6.3 billion, and increase by an average of 4.6 per cent per annum over the forward estimates. Higher payroll tax revenue is supported by a strengthening outlook for full-time employment and wage growth;
* gambling tax revenue is forecast to grow to $1.9 billion in 2018-19. Forecasts incorporate additional revenue from the new lottery licence effective from 1 July 2018, and from the new point of consumption tax (POCT) on wagering, effective from 1 January 2019 that replaces the current wagering tax framework. Over the forward estimates, growth is expected to average 1.7 per cent per annum;
* insurance tax revenue is forecast to grow to $1.4 billion in 2018‑19, reflecting strong premium growth across most insurance products; and
* motor vehicle tax revenue is forecast to grow to $2.7 billion in 2018‑19.

### Dividends, income tax equivalent and interest

Dividend and income tax equivalent revenue is projected to be $1.1 billion in 2018‑19 and average $582 million across the forward estimates. The higher revenue in 2018-19 is largely due to dividends received from the Victorian Managed Insurance Authority.

Interest income is earned on holdings of cash and deposits. Total interest income is expected to be $818 million in 2018‑19, and is forecast to decline by an average of 2.8 per cent a year over the following three years, as money is drawn down from the Victorian Transport Fund to fund infrastructure.

### Sales of goods and services

Revenue from the sales of goods and services is expected to be $7.6 billion in 2018‑19. Over the forward estimates, growth is expected to average 4.7 per cent a year. This growth largely reflects increases in the capital asset charge revenue from VicTrack associated with an increase in its asset base, TAFE fees for service and hospital patient fees.

### Grants

In 2018-19, total grants revenue is expected to grow by 12.0 per cent to $33.5 billion, largely due to an expected increase in GST revenue, which is anticipated to grow by 8.1 per cent to $16.9 billion, along with expected payments to be received under the DisabilityCare Australia Fund (DCAF). Growth is forecast to ease to 2.4 per cent a year on average over the forward estimates, principally due to a decline in Victoria’s GST relativities after the budget year and the transfer of responsibility for disability services to the Commonwealth.

Victoria’s share of the GST pool has increased from 24.0 per cent in 2017‑18 to 25.6 per cent in 2018‑19. This largely reflects continued strong population growth relative to other states, and a related need for greater investment in infrastructure.

Over the forward estimates, Victorian GST revenue is expected to increase on average by 4.4 per cent a year, buoyed by the continued growth in the GST pool. Victoria’s GST relativity is forecast to ease beyond 2018‑19, partly due to the State’s relatively stronger revenue outlook.

Commonwealth grants for specific purposes are projected to average $15.5 billion a year across the budget and forward estimates. The Commonwealth provides these grants as contributions towards health care, education, disability and other services, and major infrastructure investment.

Commonwealth grants for specific purposes decrease in 2019‑20 largely due to the transfer of responsibility for disability services, and the Commonwealth funding attached to these services from Victoria to the National Disability Insurance Agency as part of the full roll‑out of the National Disability Insurance Scheme (NDIS).

### Other current revenue

Other current revenue includes fines, royalties, donations and gifts, assets received free of charge and other miscellaneous revenues. Other current revenue is projected to be $2.6 billion in 2018‑19 and increase by an average of 1.0 per cent a year across the forward estimates.

## Expenses outlook

Total expenses for the general government sector are expected to be $67.5 billion in 2018‑19. Total expenses are expected to grow by 4.0 per cent a year on average over the four years to $72.8 billion in 2021‑22. Specifically:

* employee expenses (including superannuation) are forecast to grow by 7.2 per cent in 2018‑19, moderating to an average annual increase of 4.2 per cent over the forward estimates. The growth in 2018‑19 reflects increases in the public sector workforce due to the Government's large infrastructure spend and social policy reforms. The increase in employee expenses also reflects changes in average remuneration levels through enterprise bargaining agreements;
* depreciation expense is forecast to grow by 6.4 per cent to $2.9 billion in 2018‑19 and increase by 6.5 per cent a year on average over the forward estimates to $3.5 billion in 2021‑22. This growth is broadly in line with the investment in infrastructure;
* interest expense is forecast to be $2.1 billion in 2018‑19. Interest expense is expected to grow by an average of 2.6 per cent a year over the forward estimates;
* grants expenses are forecast to increase by 14.9 per cent to $12.8 billion in 2018‑19, largely due to payments made to the National Disability Insurance Agency for disability services as part of the full roll-out of the NDIS. Thereafter, growth is expected to average 4.1 per cent a year over the forward estimates; and
* other operating expenses are forecast to increase by 7.6 per cent in 2018‑19, largely reflecting the impact of increases in the public sector workforce and differences in the timing of activity across major departments. Thereafter, other operating expenses are expected to decrease by an average of 1.3 per cent a year over the forward estimates to $20.5 billion in 2021‑22, partly reflecting the transition of services to the Commonwealth for the NDIS.

## Reconciliation of estimates to the *2018 Pre-Election Budget Update*

There has been no material change to the budget and forward estimates since the *2018 Pre-Election Budget Update (PEBU)*, other than a minor variation to depreciation expenses (Table 3.3). This reflects updated information on the profile of capital expenditure not allocated to departments.

Table 3.3: Reconciliation of estimates to the *2018 PEBU* (a) ($ million)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| **Net result from transactions: *2018 PEBU*** | **2 277** | **1 708** | **2 656** | **2 990** |
| Administrative variations | (37) | 17 | 20 | (5) |
| Net result from transactions: *2018-19 Budget Update* | 2 241 | 1 725 | 2 677 | 2 984 |

Source: Department of Treasury and Finance

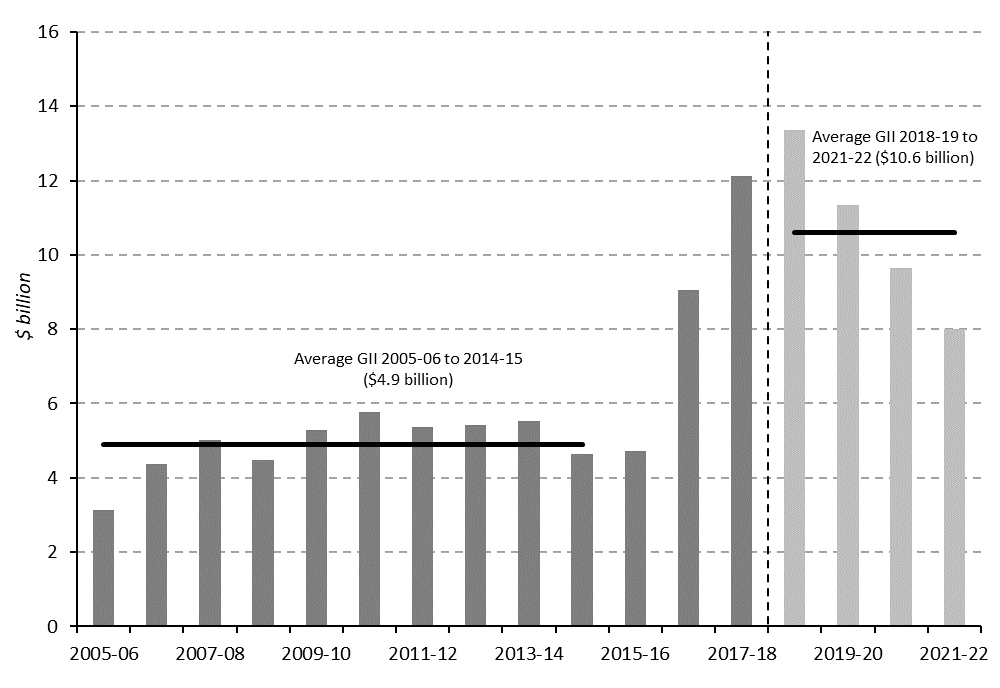
Note:

(a) Figures in this table are subject to rounding to the nearest million and may not add up to totals.

## Capital expenditure

Government infrastructure investment (GII), which measures investment funded or facilitated by the Government, is forecast to average $10.6 billion a year over the budget and forward estimates. This is more than double the average of $4.9 billion a year from 2005-06 to 2014-15 (Chart 3.1).

Chart 3.1: Government infrastructure investment (a)(b)



Source: Department of Treasury and Finance

Notes:

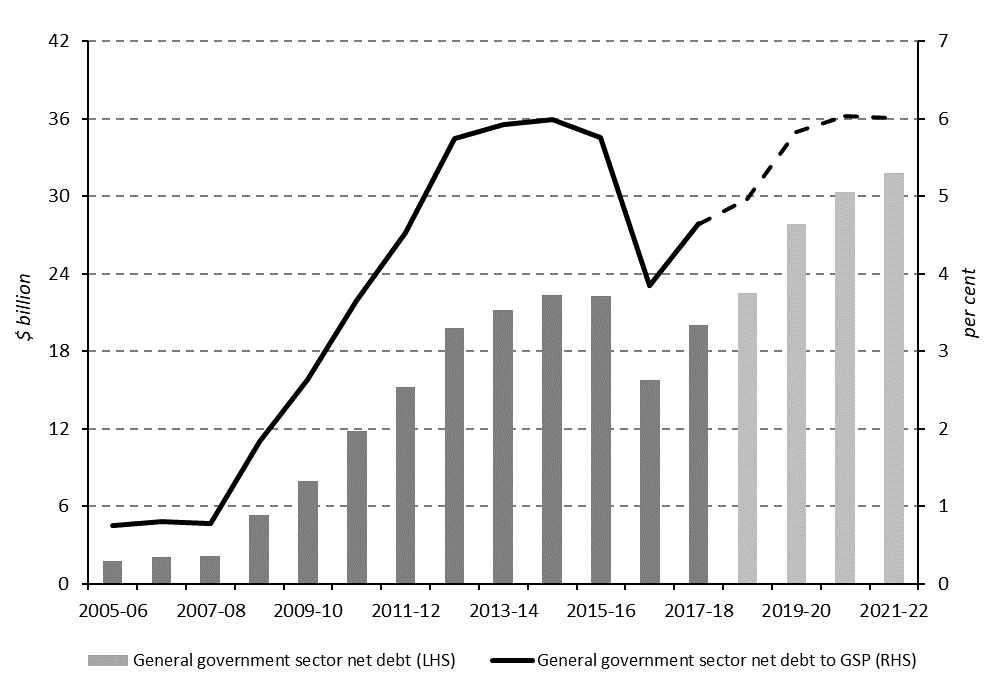
(a) Includes general government net infrastructure investment and estimated construction costs for Partnerships Victoria projects.

(b) Excludes the impact of the medium‑term lease over the operations of the Port of Melbourne and the divestment of Victoria’s share of Snowy Hydro Limited.

## Net debt

Net debt as a proportion of GSP was 4.6 per cent at June 2018, and is expected to increase to 6.0 per cent by June 2021, and remain at that level in 2021-22 (Chart 3.2).

Chart 3.2: General government net debt to GSP (a)(b)



Source: Department of Treasury and Finance

Notes:

(a) The decrease in 2016‑17 reflects the receipt of proceeds from entering into a medium‑term lease over the operations of the   
Port of Melbourne.

(b) The ratios to GSP may vary from publications year to year due to revisions to the Australian Bureau of Statistics GSP data.

During the 2018 election, the Government committed to increasing borrowings to 12 per cent of GSP (including accounting standards changes) over the medium term to fund three visionary capital projects: the North-East Road Link; the Melbourne Airport Rail Link; and an additional 25 level crossings to be removed by 2025.

In its credit opinion released on 26 November 2018, Moody’s noted that the ‘State Government expects total net debt to GSP to increase to approximately 12 per cent over the medium term, a level that we consider to be manageable within Victoria’s current triple-A rating and stable outlook’.

The application of cash resources for the general government sector (Table 3.4) outlines the annual movements in net debt. General government sector cash from operating activities is expected to average $4.8 billion a year over the next four years.

Table 3.4: Application of cash resources for the general government sector (a) ($ million)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| **Net result from transactions** | **2 241** | **1 725** | **2 677** | **2 984** |
| Add back: non-cash revenue and expenses (net) (b) | 4 914 | 1 435 | 1 103 | 1 978 |
| **Net cash flows from operating activities** | **7 155** | **3 160** | **3 779** | **4 962** |
| **Total net investment in fixed assets (c)** | **7 733** | **5 597** | **4 493** | **5 422** |
| **Surplus/(deficit) of cash from operations after funding net investment in fixed assets** | **(578)** | **(2 437)** | **(713)** | **(460)** |
| Finance leases (d) | 451 | 1 034 | 526 | 448 |
| Other movements | 1 481 | 1 831 | 1 269 | 537 |
| Decrease/(increase) in net debt | (2 510) | (5 301) | (2 509) | (1 445) |

Source: Department of Treasury and Finance

Notes:

(a) Figures in this table are subject to rounding to the nearest million and may not add up to totals.

(b) Includes depreciation, prepayments and movements in the unfunded superannuation liability and liability for employee benefits,   
as well as operating cash flows not required to be recognised in the operating statement for the respective year.

(c) Includes total purchases of plant, property and equipment, and net capital contributions to other sectors of government net of proceeds from asset recycling.

(d) The finance lease acquisitions predominately relate to the High Capacity Metro Trains Project, the Western Roads Upgrade, the Casey Hospital Expansion, the Northern Roads Upgrade and the South Eastern Roads Upgrade.

## Unfunded superannuation liability

The State’s unfunded superannuation liability is on track to be fully funded by 2035. Note 4.6.3 of Chapter 4 *Estimated financial statements and notes* shows information on the reported superannuation liability*.*

# Fiscal risks

This section discusses a number of risks which, if realised, are likely to impact on the State’s financial position and budget outcomes.

Details of specific contingent assets and liabilities, defined as possible assets or liabilities 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, are contained within Chapter 6 *Contingent assets and contingent liabilities.*

## General fiscal risks

### State taxes

State tax forecasts are primarily modelled on the relationships between taxation revenue and projected economic variables. As a result, the main source of uncertainty to the taxation estimates are unforeseen changes in the economic outlook.

Revenue from property-based taxes, such as land tax and land transfer duty, are subject to unique risks and historically have been volatile. The *2018-19 Budget Update* allows for some further weakening in property market conditions in 2018-19, while recognising that the underlying drivers of growth remain largely intact. Land transfer duty revenue was revised down by $2.4 billion over four years at the *2018 Pre-Election Budget Update*. However, property markets can exhibit large cycles typically related to changes in official interest rates, changes in sentiment, and/or household income. If property market sentiment were to weaken faster than anticipated or is more prolonged, or mortgage interest rates rose more quickly than currently expected, revenue from property-based taxes may be weaker than forecast.

The translation between developments in the property market into property-based taxes is an additional source of uncertainty.

### Employee expenses

Employee expenses are the State’s largest expense. Two important determinants of employee expenses are wages growth and the number of employees.

Other factors contributing to projected employee expenses include the composition and profile of the workforce as well as rostering arrangements.

### Demand growth

Another key uncertainty is growth in demand for government services exceeding or being below current projections. This can occur, for example, as a result of higher than forecast population growth or expenditure in response to unforeseen events such as natural disasters, including bushfires and floods.

The estimates incorporate contingency provisions to mitigate the impact of expenditure risks, which may be realised during the next four years. The contingency provisions are sized to allow for the likely growth in Victoria’s population and consequent derived increased demand for government services.

Note 4.3.5 and Note 4.3.6 of Chapter 4 *Estimated financial statements and notes* discloses general government output and asset contingencies not allocated to departments*.*

### Specific fiscal risks

#### National Disability Insurance Scheme

Victoria commenced transition to the NDIS on 1 July 2016 and is working towards reaching full roll-out by 1 July 2019. The current transition agreement between Victoria and the Commonwealth ends on 30 June 2019. Negotiations on a full scheme agreement to take effect from 1 July 2019 are ongoing. However, the current agreement states that Victoria’s contribution to the NDIS will be an estimated $2.5 billion a year, with the Commonwealth estimated to provide $2.6 billion a year for Victorians in the Scheme.

In August 2018, the Government announced five not-for-profit providers chosen to deliver disability accommodation and respite services as part of the transition to the NDIS. Funding for these providers was included in the *2018-19 Budget*.

#### Commonwealth schools funding

In June 2017, the Commonwealth Government passed amendments to the *Australian Education Act 2013* to implement new national school funding arrangements for 2018 onwards. The Victorian Government signed a one-year interim agreement with the Commonwealth to ensure funding was not at risk for schools for 2018.

Negotiations on an agreement from 2019 are ongoing and the quantum and conditions of funding are dependent on these being finalised between the Commonwealth, the states and territories, and the non‑government schools sector.

#### Universal Access to Early Childhood Education

The Commonwealth’s financial contribution to assist the states and territories in providing 15 hours per week of preschool support per student is supplied under the National Partnership Agreement on Universal Access to Early Childhood Education. Funding under this agreement was extended for the 2019 calendar year, but ongoing Commonwealth funding arrangements are uncertain.

#### National health reform

Under the National Health Reform Agreement (NHRA), Commonwealth growth funding is derived from a complex model based on the number of procedures performed (activity) and an efficient price determined by an independent administrator.

These arrangements were scheduled to cease from 1 July 2017. However, in April 2016, the Commonwealth agreed to continue the NHRA from 1 July 2017 until 30 June 2020. Conditions attached to the agreement may increase fiscal exposure for the State and include:

* a national cap on Commonwealth annual expenditure growth of 6.5 per cent   
  (above which the State will be required to fund all hospital activity);
* reduced funding to the State for avoidable hospital admissions or unsafe care; and
* the Commonwealth withholding funds until hospital activity data is provided.

A Heads of Agreement for a new agreement was proposed by the Commonwealth at the Council of Australian Governments on 9 February 2018, and negotiations are ongoing.

#### Victoria’s GST revenue

The distribution of GST grants between states and territories is determined by the size of the national GST pool and each jurisdiction’s population share weighted by its GST relativity. Revenue sharing relativities are determined by the Commonwealth Treasurer, as informed by the recommendations of the Commonwealth Grants Commission.

Over the forward estimates, there are downside risks to growth in the GST pool if consumer prices and wages growth do not pick up as forecast, or if growth in dwelling investment is slower than expected. Movements in the household savings ratio, particularly in the context of current property market conditions, are a source of uncertainty for consumer spending and the GST pool outlook.

If Victoria’s population growth is higher than forecast compared with other states, Victoria’s share of GST revenue could increase. Conversely, should other states have higher population growth than expected compared with Victoria this would negatively affect Victoria’s GST revenue. Victoria’s share of Commonwealth grants payments can affect its GST revenue. Unforeseen movements in the property market also impact Victoria’s share of the national GST pool. Variations in commodity prices relative to current forecasts, particularly in iron ore and coal which affect royalty revenue in resource states, also pose uncertainties for Victoria’s GST revenue.

# Non‑financial public sector

The non-financial public sector (NFPS) consolidates the public non-financial corporations (PNFC) and general government sectors. The PNFC sector is comprised of entities providing services that are primarily funded from user charges and fees. The largest PNFCs provide water, housing and transport services. The financial performance and indebtedness of the NFPS are important elements of financial sustainability that support the State’s triple‑A credit rating.

## Summary operating statement

Table 3.5: Summary operating statement for the non‑financial public sector (a) ($ million)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| **Revenue** |  |  |  |  |
| Taxation revenue | 23 649 | 24 600 | 25 524 | 26 789 |
| Dividends, income tax equivalent and interest | 1 035 | 541 | 587 | 589 |
| Sales of goods and services | 11 378 | 12 355 | 12 692 | 13 184 |
| Grant revenue | 33 516 | 33 699 | 34 687 | 35 943 |
| Other current revenue | 3 261 | 3 212 | 3 291 | 3 333 |
| **Total revenue** | **72 840** | **74 406** | **76 781** | **79 838** |
| *% change* | 7.2 | 2.1 | 3.2 | 4.0 |
| **Expenses** |  |  |  |  |
| Employee expenses | 26 264 | 27 756 | 28 830 | 29 936 |
| Superannuation (b) | 3 572 | 3 578 | 3 622 | 3 717 |
| Depreciation | 5 271 | 5 482 | 5 941 | 6 255 |
| Interest expense | 2 508 | 2 612 | 2 747 | 2 815 |
| Grant expense | 9 128 | 10 365 | 10 388 | 10 828 |
| Other operating expenses | 24 602 | 23 493 | 23 348 | 24 144 |
| **Total expenses** | **71 346** | **73 286** | **74 877** | **77 694** |
| *% change* | 8.1 | 2.7 | 2.2 | 3.8 |
| **Net result from transactions** | **1 495** | **1 120** | **1 904** | **2 144** |

Source: Department of Treasury and Finance

Notes:

(a) This is a summary operating statement. Figures in this table are subject to rounding to the nearest million and may not add up to totals.

(b) Comprises superannuation interest expense and other superannuation expenses.

The net result from transactions of the NFPS is projected to reach $2.1 billion by 2021‑22. This is largely due to the general government sector surplus projected to increase from $2.2 billion in 2018‑19 to $3.0 billion by 2021‑22.

The net result from transactions of the PNFC sector is projected to be an average deficit of $566 million across the budget and forward estimates period. The deficits mainly reflect:

* depreciation expenses of VicTrack. However, VicTrack is estimated to generate an average operating cash flow surplus of $95.9 million over the budget and forward estimates period; and
* depreciation expenses and costs associated with the Director of Housing managing a large and ageing asset portfolio. However, the Director of Housing is estimated to generate an average operating cash flow surplus of $94.9 million over the budget and forward estimates period.

Despite the projected deficits, the PNFC sector is forecast to remain in a strong and sustainable position with operating cash flow surpluses averaging $1.5 billion over the budget and forward estimates period.

## Application of cash resources

The NFPS is forecast to record operating cash flow surpluses averaging $6.1 billion across the budget and forward estimates period. This will fund 62 per cent of the NFPS infrastructure program. This enables the State to deliver infrastructure projects without unduly impacting debt sustainability.

Table 3.6: Application of cash resources for the non‑financial public sector (a) ($ million)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| **Net result from transactions** | 1 495 | 1 120 | 1 904 | 2 144 |
| Add back: non-cash income and expenses (net) (b) | 6 735 | 3 394 | 3 314 | 4 248 |
| **Net cash flow from operating activities** | **8 230** | **4 514** | **5 218** | **6 392** |
| **Total net investment in fixed assets (c)** | **12 085** | **9 459** | **7 718** | **7 730** |
| **Surplus/(deficit) of cash from operations after funding  net investments in fixed assets** | **(3 855)** | **(4 945)** | **(2 500)** | **(1 337)** |
| Finance leases (d) | 451 | 1 034 | 526 | 448 |
| Other movements | (143) | 107 | (6) | (71) |
| **Decrease/(increase) in net debt** | **(4 164)** | **(6 086)** | **(3 020)** | **(1 715)** |

Source: Department of Treasury and Finance

Notes:

(a) Figures in this table are subject to rounding to the nearest million and may not add up to totals.

(b) Includes depreciation, prepayments and movements in the unfunded superannuation liability and liability for employee benefits, as well as operating cash flows not required to be recognised in the operating statement for the respective year.

(c) Includes total purchases of plant, property and equipment, and net capital contributions to other sectors of government net of proceeds from asset recycling.

(d) The finance lease acquisitions relate to Bendigo Hospital – Stage 2, the High Capacity Metro Trains Project, the Western Roads Upgrade, the Casey Hospital Expansion, the Northern Roads Upgrade and the South Eastern Roads Upgrade.

The NFPS is projected to invest a total of $42 billion in non‑financial assets over the budget and forward estimates. The key infrastructure projects under development include:

* investment in transport infrastructure to meet patronage growth and improve network performance. This includes investment in the regional and metropolitan rail networks. Key regional rail investments include the Regional Rail Revival program and additional VLocity carriages. Metropolitan rail investments include the Cranbourne-Pakenham and Sunbury line upgrades as well as a range of other metropolitan rail infrastructure improvement projects;
* upgrading and renewal of water and sewer assets by the Melbourne metropolitan water corporations, including an increase in the capacity of the Western Treatment Plant (Melbourne Water Corporation), the Epping Main Sewer and Craigieburn Sewer Transfer Hub (Yarra Valley Water), the Boneo Water Recycling Plant (South East Water), and the West Werribee Dual Water Supply Project (City West Water); and
* upgrading and renewal of water and sewer assets in regional Victoria, including Goulburn-Murray Water’s Connections Project, which will connect irrigators to a modernised main system of irrigation channels, and the modernisation of various irrigation systems by Southern Rural Water, and the South West Loddon and East Grampians rural water supply pipeline extension projects by Grampians Wimmera Mallee Water.

# Non‑financial public sector net debt and net financial liabilities

Table 3.7 details NFPS net debt and financial liabilities.

Table 3.7: Non‑financial public sector net debt and financial liabilities ($ billion)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| **Assets** |  |  |  |  |
| Cash and deposits | 5.1 | 5.1 | 5.0 | 5.0 |
| Advances paid | 0.5 | 0.4 | 0.4 | 0.4 |
| Investments, loans and placements | 5.3 | 5.8 | 6.0 | 6.3 |
| **Total** | **10.8** | **11.2** | **11.4** | **11.7** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 1.3 | 1.4 | 1.4 | 1.3 |
| Borrowings | 47.9 | 54.3 | 57.5 | 59.6 |
| **Total** | **49.2** | **55.6** | **58.9** | **60.9** |
| **Net debt (a)** | **38.4** | **44.4** | **47.5** | **49.2** |
| Superannuation liability | 23.3 | 22.2 | 21.2 | 20.2 |
| **Net debt plus superannuation liabilities** | **61.6** | **66.7** | **68.6** | **69.3** |
| Other liabilities (net) (b) | 19.9 | 19.6 | 19.1 | 17.9 |
| **Net financial liabilities (c)** | **81.6** | **86.3** | **87.7** | **87.2** |
| (per cent) | | | | |
| **Net debt to GSP (d)** | 8.5 | 9.3 | 9.4 | 9.3 |
| **Net debt plus superannuation liability to GSP (d)** | 13.6 | 14.0 | 13.7 | 13.1 |
| **Net financial liabilities to GSP (d)** | 18.0 | 18.1 | 17.4 | 16.5 |
| **Net debt plus superannuation liability to revenue (e)** | 84.6 | 89.6 | 89.4 | 86.8 |

Source: Department of Treasury and Finance

Notes:

(a) Net debt is the sum of deposits held, advances received and borrowings less the sum of cash, advances paid and investments,   
loans and placements.

(b) Includes other benefits and provisions, payables and other liabilities less other non‑equity financial assets.

(c) Net financial liabilities is the sum of superannuation, borrowings and other net financial liabilities less non‑equity financial assets.

(d) Ratios to GSP may vary from publications year to year due to revisions made by the Australian Bureau of Statistics to its published GSP data.

(e) The sum of NFPS net debt plus the superannuation liability as a proportion of NFPS total operating revenue.

NFPS net debt is projected to increase to $49.2 billion by 2021-22 following the ongoing investment in infrastructure projects over the budget and forward estimates period. The projected NFPS net debt to GSP ratio is expected to increase from 8.5 per cent in 2018‑19 to 9.3 per cent in 2021-22, predominantly driven by the general government sector.

Table 3.8 provides projections of several additional indicators of financial sustainability for the NFPS.

Table 3.8: Indicators of financial sustainability of non‑financial public sector (per cent)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
| *revised* | *estimate* | *estimate* | *estimate* |
| Operating cash flow surplus to revenue | 11.3 | 6.1 | 6.8 | 8.0 |
| Gross debt to revenue (a) | 67.5 | 74.8 | 76.7 | 76.3 |
| Interest expense to revenue | 3.4 | 3.5 | 3.6 | 3.5 |

Source: Department of Treasury and Finance

Note:

(a) Gross debt includes borrowings and deposits held and advances received.

The ratio of operating cash flow to revenue is a measure of the relative size of the operating result and therefore provides a measure of operating performance. This ratio is higher in 2018-19 mainly due to cash receipts from commercialising part of Victoria’s land titles and registry functions. This ratio increases to 8 per cent by 2021-22 due to improving operating cash flow surpluses over the budget and forward estimates supported by improving revenue.

The ratio of NFPS’ interest expense to revenue is a measure of the State’s debt service burden. This ratio is expected to be 3.4 per cent in 2018‑19 and remain relatively stable over the budget and forward estimates period. This is due to higher interest costs from rising debt levels being offset by increasing revenues. The overall debt burden is evidenced by the ratio of gross debt to revenue, which is estimated to be 67.5 per cent in 2018‑19, increasing to 76.3 per cent by 2021‑22.

# State of Victoria

The State of Victoria financial results are obtained by consolidating the public financial corporations (PFC) sector with the NFPS. There are two broad types of PFCs; those that provide services to the general public and businesses (statutory insurers such as Transport Accident Commission and WorkSafe Victoria) and those that provide financial services predominantly to other government entities (such as the Victorian Funds Management Corporation and the Treasury Corporation of Victoria).

Table 3.9: Summary operating statement of the State of Victoria (a) ($ million)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| **Revenue** |  |  |  |  |
| Taxation revenue | 23 634 | 24 584 | 25 508 | 26 772 |
| Dividends, income tax equivalent and interest | 2 225 | 2 162 | 2 522 | 2 606 |
| Sales of goods and services | 15 286 | 16 439 | 16 972 | 17 668 |
| Grant revenue | 32 525 | 32 912 | 34 068 | 35 271 |
| Other current revenue | 3 281 | 3 233 | 3 317 | 3 361 |
| **Total revenue** | **76 951** | **79 330** | **82 387** | **85 679** |
| *% change* | *5.5* | 3.1 | 3.9 | 4.0 |
| **Expenses** |  |  |  |  |
| Employee expenses | 26 246 | 27 725 | 28 794 | 29 897 |
| Superannuation (b) | 3 601 | 3 608 | 3 652 | 3 748 |
| Depreciation | 5 315 | 5 540 | 6 025 | 6 371 |
| Interest expense | 2 569 | 2 670 | 2 797 | 2 864 |
| Grant expense | 9 143 | 10 380 | 10 404 | 10 844 |
| Other operating expenses | 31 199 | 30 516 | 30 595 | 31 882 |
| **Total expenses** | **78 074** | **80 439** | **82 267** | **85 606** |
| *% change* | *7.0* | 3.0 | 2.3 | 4.1 |
| **Net result from transactions** | **(1 123)** | **(1 109)** | **120** | **73** |
| **Total other economic flows included in net result** | **1 721** | **1 162** | **1 249** | **1 292** |
| Net result | 598 | 53 | 1 369 | 1 364 |

Source: Department of Treasury and Finance

Notes:

(a) This is a summary operating statement. The comprehensive operating statement is presented in Chapter 5 Supplementary uniform presentation framework tables. Figures in this table are subject to rounding to the nearest million and may not add up to totals.

(b) Comprises superannuation interest expense and other superannuation expenses.

The net result from transactions for the State in 2018-19 is projected to be a deficit of $1.1 billion, improving to a surplus of $73 million by 2021-22.

The State’s insurers contribute substantially to the projected deficits because a significant portion of investment returns used to fund future claims costs is reported under other economic flows.

Consequently, the net result is a more meaningful measure of the expected operating position of the PFC sector and the State as it includes this substantial projected investment income averaging $1.4 billion over the budget and forward estimates. The net result at State level is a surplus of $598 million in 2018‑19, improving to $1.4 billion by 2021‑22.

Table 3.10 highlights the State’s financial position over the budget and forward estimates period. Total liabilities are projected to increase to $153 billion by 2021-22, offset by expected increases in the State’s financial assets and non-financial assets. Financial assets are projected to increase to $60 billion by 2021-22 in line with the assumed growth in investments returns. Non‑financial assets are projected to increase by $31 billion to $307 billion, primarily from the Government’s infrastructure program and expected revaluations of fixed assets. As a result, the State’s net assets are forecast to increase from $194 billion in 2018‑19 to $215 billion in 2021‑22.

Table 3.10: Summary balance sheet for the State of Victoria (a) ($ billion)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| **Assets** |  |  |  |  |
| Total financial assets | 57 | 57 | 58 | 60 |
| Total non-financial assets | 276 | 293 | 301 | 307 |
| **Total assets** | **333** | **350** | **359** | **368** |
| **Liabilities** |  |  |  |  |
| Superannuation | 23 | 22 | 21 | 20 |
| Borrowings | 52 | 58 | 62 | 64 |
| Deposits held and advances received | 2 | 2 | 2 | 2 |
| Other liabilities | 62 | 64 | 65 | 67 |
| **Total liabilities** | **139** | **146** | **150** | **153** |
| **Net assets** | 194 | 204 | 209 | 215 |

Source: Department of Treasury and Finance

Note:

(a) This is a summary balance sheet. The comprehensive balance sheet is presented in Chapter 5 Supplementary uniform presentation framework tables. Figures in this table are subject to rounding to the nearest billion and may not add up to totals.

Chapter 4 – Estimated financial statements and notes

# Estimated general government sector comprehensive operating statement

For the financial year ended 30 June ($ million)

|  | Notes | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| **Revenue from transactions** |  |  |  |  |  |  |
| Taxation revenue | 4.2.1 | 24 081 | 24 092 | 25 050 | 25 836 | 27 116 |
| Interest revenue |  | 864 | 818 | 787 | 761 | 752 |
| Dividends, income tax equivalent and rate equivalent revenue | 4.2.2 | 922 | 1 103 | 582 | 596 | 567 |
| Sales of goods and services | 4.2.3 | 7 541 | 7 594 | 8 417 | 8 685 | 8 726 |
| Grant revenue | 4.2.4 | 33 458 | 33 515 | 33 697 | 34 686 | 35 942 |
| Other revenue | 4.2.5 | 2 622 | 2 636 | 2 594 | 2 656 | 2 714 |
| **Total revenue from transactions** |  | **69 487** | **69 757** | **71 128** | **73 221** | **75 817** |
| **Expenses from transactions** |  |  |  |  |  |  |
| Employee expenses |  | 25 562 | 24 986 | 26 446 | 27 495 | 28 565 |
| Net superannuation interest expense | 4.3.2 | 662 | 688 | 639 | 610 | 580 |
| Other superannuation | 4.3.2 | 2 676 | 2 750 | 2 802 | 2 873 | 2 992 |
| Depreciation | 4.4.2 | 2 876 | 2 921 | 3 033 | 3 332 | 3 526 |
| Interest expense | 4.5.3 | 2 167 | 2 090 | 2 133 | 2 211 | 2 260 |
| Grant expense | 4.3.3 | 12 901 | 12 785 | 14 045 | 14 007 | 14 411 |
| Other operating expenses | 4.3.4 | 21 264 | 21 296 | 20 305 | 20 016 | 20 498 |
| **Total expenses from transactions** | 4.3.5 | **68 108** | **67 517** | **69 403** | **70 544** | **72 833** |
| **Net result from transactions –  net operating balance** |  | **1 380** | **2 241** | **1 725** | **2 677** | **2 984** |
| **Other economic flows included in net result** | | | | | | |
| Net gain/(loss) on disposal of non-financial assets |  | 77 | 90 | 78 | 52 | 51 |
| Net gain/(loss) on financial assets or liabilities at fair value |  | 27 | 24 | 26 | 26 | 27 |
| Other gains/(losses) from other economic flows | 4.7.1 | (345) | (347) | (355) | (343) | (362) |
| **Total other economic flows included in  net result** |  | **(242)** | **(233)** | **(251)** | **(265)** | **(284)** |
| Net result |  | 1 137 | 2 008 | 1 473 | 2 412 | 2 700 |

Estimated general government sector  
comprehensive operating statement *(continued)*

For the financial year ended 30 June ($ million)

|  | Notes | | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Other economic flows – other comprehensive income** | | | | | | | |
| **Items that will not be reclassified to net result** | | | | | | | |
| Changes in non-financial assets revaluation surplus |  | | 699 | 699 | 6 859 | 1 441 | 3 797 |
| Remeasurement of superannuation defined benefit plans | 4.3.2 | | 1 014 | 1 996 | 1 053 | 1 074 | 1 094 |
| Other movements in equity |  | | (9) | (13) | 8 | .. | 25 |
| **Items that may be reclassified subsequently to net result** | | | | | | | |
| Net gain/(loss) on financial assets at fair value |  | | 2 | 2 | 2 | 2 | 2 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | 4.6.1 | | 34 | 2 021 | 1 152 | 535 | (524) |
| **Total other economic flows –  other comprehensive income** |  | | **1 741** | **4 705** | **9 074** | **3 051** | **4 394** |
| **Comprehensive result – total change in net worth** | |  | **2 878** | **6 713** | **10 547** | **5 463** | **7 094** |
| **KEY FISCAL AGGREGATES** |  | |  |  |  |  |  |
| **Net operating balance** |  | | **1 380** | **2 241** | **1 725** | **2 677** | **2 984** |
| Less: Net acquisition of non-financial assets from transactions | 4.3.7 | | 1 921 | 2 027 | 3 079 | 2 345 | 1 915 |
| Net lending/(borrowing) |  | | (541) | 214 | (1 355) | 332 | 1 070 |

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

# Estimated general government sector balance sheet

As at 30 June ($ million)

|  | Notes | | 2019 budget (a) | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** |  | |  |  |  |  |  |
| **Financial assets** |  | |  |  |  |  |  |
| Cash and deposits |  | | 6 325 | 4 180 | 4 282 | 4 285 | 4 265 |
| Advances paid | 4.5.2 | | 8 289 | 8 524 | 6 641 | 5 342 | 4 796 |
| Receivables |  | | 6 465 | 6 400 | 6 567 | 6 935 | 7 319 |
| Investments, loans and placements | 4.5.2 | | 4 197 | 4 204 | 4 707 | 4 962 | 5 253 |
| Investments accounted for using equity method | |  | 53 | 53 | 53 | 53 | 53 |
| Investments in other sector entities | 4.6.1 | | 107 036 | 108 405 | 113 084 | 115 823 | 117 145 |
| **Total financial assets** |  | | **132 364** | **131 766** | **135 334** | **137 400** | **138 831** |
| **Non-financial assets** |  | |  |  |  |  |  |
| Inventories |  | | 179 | 187 | 194 | 199 | 203 |
| Non-financial assets held for sale |  | | 391 | 391 | 392 | 393 | 394 |
| Land, buildings, infrastructure, plant and equipment | 4.4.1 | | 136 801 | 136 721 | 145 677 | 148 058 | 152 615 |
| Other non-financial assets | 4.4.4 | | 1 978 | 2 130 | 3 157 | 4 574 | 5 271 |
| **Total non-financial assets** |  | | **139 349** | **139 428** | **149 420** | **153 223** | **158 484** |
| **Total assets** | **4.4.5** | | **271 712** | **271 194** | **284 753** | **290 623** | **297 315** |
| **Liabilities** |  | |  |  |  |  |  |
| Deposits held and advances received |  | | 4 669 | 4 900 | 3 287 | 2 042 | 1 461 |
| Payables | 4.6.2 | | 8 638 | 9 438 | 9 157 | 8 864 | 7 972 |
| Borrowings | 4.5.1 | | 38 859 | 34 522 | 40 158 | 42 870 | 44 621 |
| Employee benefits | 4.3.1 | | 7 372 | 7 319 | 7 631 | 7 926 | 8 227 |
| Superannuation | 4.6.3 | | 24 164 | 23 268 | 22 220 | 21 139 | 20 127 |
| Other provisions |  | | 1 016 | 919 | 924 | 942 | 974 |
| **Total liabilities** |  | | **84 718** | **80 365** | **83 377** | **83 784** | **83 382** |
| **Net assets** |  | | **186 995** | **190 829** | **201 376** | **206 839** | **213 933** |
| Accumulated surplus/(deficit) |  | | 54 730 | 56 577 | 59 114 | 62 601 | 66 421 |
| Reserves |  | | 132 265 | 134 252 | 142 263 | 144 237 | 147 512 |
| **Net worth** |  | | **186 995** | **190 829** | **201 376** | **206 839** | **213 933** |
|  |  | |  |  |  |  |  |
| **FISCAL AGGREGATES (b)** |  | |  |  |  |  |  |
| Net financial worth |  | | 47 646 | 51 401 | 51 957 | 53 616 | 55 449 |
| Net financial liabilities |  | | 59 390 | 57 004 | 61 127 | 62 207 | 61 696 |
| Net debt |  | | 24 717 | 22 513 | 27 815 | 30 324 | 31 768 |

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Notes:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

(b) The fiscal aggregates are defined in Note 9.9 of the 2017-18 Financial Report.

# Estimated general government sector cash flow statement

For the financial year ended 30 June ($ million)

|  | Notes | | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Cash flows from operating activities** |  | |  |  |  |  |  |
| **Receipts** |  | |  |  |  |  |  |
| Taxes received |  | | 23 907 | 23 919 | 24 836 | 25 452 | 26 707 |
| Grants |  | | 33 458 | 33 515 | 33 697 | 34 686 | 35 942 |
| Sales of goods and services (a) |  | | 10 086 | 11 095 | 9 094 | 9 389 | 9 438 |
| Interest received |  | | 864 | 818 | 787 | 761 | 751 |
| Dividends, income tax equivalent and rate equivalent receipts |  | | 861 | 1 041 | 576 | 591 | 562 |
| Other receipts |  | | 2 168 | 2 164 | 2 110 | 2 168 | 2 212 |
| **Total receipts** |  | | **71 343** | **72 552** | **71 101** | **73 046** | **75 612** |
| **Payments** |  | |  |  |  |  |  |
| Payments for employees |  | | (25 213) | (24 690) | (26 136) | (27 203) | (28 266) |
| Superannuation |  | | (3 364) | (3 379) | (3 436) | (3 489) | (3 491) |
| Interest paid |  | | (2 130) | (2 053) | (2 096) | (2 174) | (2 223) |
| Grants and subsidies |  | | (13 158) | (13 246) | (15 187) | (15 572) | (15 236) |
| Goods and services (a) |  | | (21 141) | (21 256) | (20 280) | (19 989) | (20 632) |
| Other payments |  | | (787) | (775) | (804) | (840) | (801) |
| **Total payments** |  | | **(65 792)** | **(65 398)** | **(67 941)** | **(69 267)** | **(70 650)** |
| **Net cash flows from operating activities** |  | | **5 551** | **7 155** | **3 160** | **3 779** | **4 962** |
| **Cash flows from investing activities** |  | |  |  |  |  |  |
| **Cash flows from investments in  non-financial assets** |  | |  |  |  |  |  |
| Purchases of non-financial assets | 4.3.6 | | (10 091) | (9 361) | (8 896) | (7 333) | (6 598) |
| Sales of non-financial assets |  | | 368 | 365 | 416 | 390 | 346 |
| **Net cash flows from investments in non-financial assets** |  | | **(9 723)** | **(8 996)** | **(8 480)** | **(6 943)** | **(6 252)** |
| Net cash flows from investments in financial assets for policy purposes | |  | 1 624 | 1 263 | 2 883 | 2 450 | 830 |
| **Subtotal** |  | | **(8 099)** | **(7 733)** | **(5 597)** | **(4 493)** | **(5 422)** |
| Net cash flows from investment in financial assets for liquidity management purposes |  | | (248) | (257) | (411) | (199) | (263) |
| **Net cash flows from investing activities** |  | | **(8 347)** | **(7 990)** | **(6 008)** | **(4 692)** | **(5 685)** |
| **Cash flows from financing activities** |  | |  |  |  |  |  |
| Advances received (net) |  | | (2 031) | (1 795) | (1 612) | (1 245) | (581) |
| Net borrowings |  | | 4 895 | 559 | 4 563 | 2 161 | 1 283 |
| Deposits received (net) |  | | .. | (5) | .. | .. | .. |
| **Net cash flows from financing activities** |  | | **2 864** | **(1 242)** | **2 950** | **915** | **703** |
| **Net increase/(decrease) in cash and cash equivalents** |  | | **68** | **(2 077)** | **102** | **3** | **(20)** |
| Cash and cash equivalents at beginning of reporting period (b) |  | | 6 257 | 6 257 | 4 180 | 4 282 | 4 285 |
| Cash and cash equivalents at end of reporting period (b) |  | | 6 325 | 4 180 | 4 282 | 4 285 | 4 265 |

Estimated general government sector  
cash flow statement *(continued)*

For the financial year ended 30 June ($ million)

|  | Notes | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| **FISCAL AGGREGATES** |  |  |  |  |  |  |
| Net cash flows from operating activities |  | 5 551 | 7 155 | 3 160 | 3 779 | 4 962 |
| Net cash flows from investments in non-financial assets |  | (9 723) | (8 996) | (8 480) | (6 943) | (6 252) |
| Cash surplus/(deficit) |  | (4 172) | (1 841) | (5 320) | (3 164) | (1 289) |

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Notes:

(a) Inclusive of goods and services tax.

(b) 2018-19 Budget figures have been restated to represent actual opening balances at 1 July 2018.

# Estimated general government sector statement of changes in equity

For the financial year ended 30 June ($ million)

|  | Accumulated surplus/(deficit) | Non-financial assets revaluation surplus |
| --- | --- | --- |
| **2018-19 budget (a)** |  |  |
| Balance at 1 July 2018 | 52 574 | 64 084 |
| Net result for the year | 1 137 | .. |
| Other comprehensive income for the year | 1 019 | 699 |
| **Total equity as at 30 June 2019** | **54 730** | **64 783** |
| **2018-19 revised** |  |  |
| Balance at 1 July 2018 | 52 574 | 64 084 |
| Net result for the year | 2 008 | .. |
| Other comprehensive income for the year | 1 996 | 699 |
| **Total equity as at 30 June 2019** | **56 577** | **64 783** |
| **2019-20 estimate** |  |  |
| Balance at 1 July 2019 | 56 577 | 64 783 |
| Net result for the year | 1 473 | .. |
| Other comprehensive income for the year | 1 063 | 6 859 |
| **Total equity as at 30 June 2020** | **59 114** | **71 642** |
| **2020-21 estimate** |  |  |
| Balance at 1 July 2020 | 59 114 | 71 642 |
| Net result for the year | 2 412 | .. |
| Other comprehensive income for the year | 1 076 | 1 441 |
| **Total equity as at 30 June 2021** | **62 601** | **73 083** |
| **2021-22 estimate** |  |  |
| Balance at 1 July 2021 | 62 601 | 73 083 |
| Net result for the year | 2 700 | .. |
| Other comprehensive income for the year | 1 119 | 3 797 |
| Total equity as at 30 June 2022 | 66 421 | 76 880 |

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

# 

| Investment in other sector  entities revaluation surplus | Other reserves | Total |
| --- | --- | --- |
|  |  |  |
| 66 351 | 1 108 | 184 116 |
| .. | .. | 1 137 |
| 34 | (12) | 1 741 |
| **66 385** | **1 096** | **186 995** |
|  |  |  |
| 66 351 | 1 108 | 184 116 |
| .. | .. | 2 008 |
| 2 021 | (12) | 4 705 |
| **68 372** | **1 096** | **190 829** |
|  |  |  |
| 68 372 | 1 096 | 190 829 |
| .. | .. | 1 473 |
| 1 152 | .. | 9 074 |
| **69 524** | **1 096** | **201 376** |
|  |  |  |
| 69 524 | 1 096 | 201 376 |
| .. | .. | 2 412 |
| 535 | .. | 3 051 |
| **70 058** | **1 096** | **206 839** |
|  |  |  |
| 70 058 | 1 096 | 206 839 |
| .. | .. | 2 700 |
| (524) | 2 | 4 394 |
| 69 534 | 1 098 | 213 933 |

## ABOUT THIS REPORT

## Basis of preparation

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.

Unless otherwise stated, the detailed accounting policies applied in preparing the Estimated Financial Statements are consistent with those in the audited 2017-18 annual financial report published in the *2017-18 Financial Report* for the State of Victoria as presented to Parliament.

The audited 30 June 2018 asset and liability balances, as reported in the *2017-18 Financial Report*, form the basis on which asset and liability balances are projected over the next four years.

The Estimated Financial Statements for the 2018-19 budget year have been prepared 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 three years.

The accrual basis of accounting has been applied in preparing the Estimated Financial Statements whereby assets, liabilities, equity, income 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.

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

* general government sector investments in other sector entities, which 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 and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure the carrying amounts do not materially differ from their fair value;
* productive trees in commercial native forests, which are measured at their fair value less costs to sell;
* financial assets and liabilities measured at fair value through the profit or loss;
* 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 or loss);
* certain liabilities, most notably unfunded superannuation and insurance claim provisions, which are subject to an actuarial assessment; and
* financial assets measured at fair value through other comprehensive income, which are measured at fair value with movements reflected in ‘Other economic flows – other comprehensive income’.

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 Estimated Financial Statements, actual results are likely to 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.

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

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 Government Finance Statistics (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.

All amounts in the Estimated Financial Statements have been rounded to the nearest $1 million unless otherwise stated. The Estimated Financial Statements may not add due to rounding.

## Reporting entity

The Estimated Financial Statements are prepared for the 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. The primary function of entities within the general government sector is to provide public services (outputs), which are mainly non-market in nature, for the collective consumption of the community. These services are primarily funded through transferring or redistributing revenue that is collected mainly through taxes and other compulsory levies.

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

## Basis for consolidation

The Estimated Financial Statements present the estimated consolidated results and position of all reporting entities in the general government sector that are controlled by the State, consistent with the principles of AASB 1049 and AASB 10 *Consolidated Financial Statements*.

Entities in the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors are not consolidated into the financial statements of the 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 a PNFC or PFC entity’s net assets before consolidation eliminations is less than zero, the carrying amount is not included in 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 consistent with AASB 9 *Financial Instruments* and AASB 1049.

Where control of an entity is expected to be obtained during the reporting 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 reporting period, the entity’s results are included for that part of the period for which control would exist. Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in the Estimated Financial Statements.

All material transactions and balances between entities within the general government sector are eliminated.

Except as stated in Note 3.7.5 of the Estimated Financial Statements, the significant entities consolidated within the sector comprise those general government sector entities listed in Note 9.8 of Chapter 4 *Annual Financial Report* of the *2017‑18 Financial Report* for the State of Victoria.

## Compliance

These Estimated Financial Statements have been prepared in accordance with Sections 23L-23N of the *Financial Management Act 1994*, having regard to Australian Accounting Standards (AAS). AAS 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. However, the prospective nature of these Estimated Financial Statements means that some AAS disclosures are neither relevant nor practical and have been omitted. Where applicable, those AASs 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 GFS information included in this report is based on the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 Cat. No. 5514.0* (ABS GFS). Note 1.7.5 of Budget Paper No.5 *Estimated Financial Statements* of the *2018-19 Budget* provides further information on the updated ABS GFS manual.

The information presented in the Estimated Financial Statements takes into account all policy decisions made 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 30 November 2018.

## Material economic assumptions

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

Key economic assumptions (a)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2017-18 actual | 2018-19 forecast | | | 2019-20 forecast | 2020-21 projection | 2021-22 projection |
|  | ($ billion) | | | | | | |
| Nominal gross state product | 430.5 | | 453.7 | | 477.5 | 502.7 | 529.2 |
|  | (percentage change) | | | | | | |
| Real gross state product | 3.5 | 3.00 | | | 2.75 | 2.75 | 2.75 |
| Employment | 2.7 | 2.50 | | | 2.00 | 1.75 | 1.75 |
| Unemployment rate (b) | 5.6 | 4.75 | | | 5.00 | 5.25 | 5.50 |
| Consumer price index (c) | 2.3 | 2.25 | | | 2.50 | 2.50 | 2.50 |
| Wage price index (d) | 2.3 | 2.75 | | | 3.00 | 3.25 | 3.50 |
| Population (e) | 2.2 (f) | | | 2.1 | 2.0 | 1.9 | 1.9 |

Source: Department of Treasury and Finance

Notes:

(a) Percentage change in year average terms compared with previous year, except for the unemployment rate (see note (b)) and population (see note (e)). Forecasts are rounded to the nearest 0.25 percentage points, except for population (see note (e)).

Projections for 2020-21 and 2021-22 represent long-run average growth rates, except for the wage price index, which remains below trend in 2020-21, and population growth, which remains above trend by 2021-22.

The key assumptions underlying the economic forecasts include: interest rates are reflective of movements in market expectations; an Australian dollar trade-weighted index of 62.5; and oil prices that follow the path suggested by the futures market.

(b) Year average, per cent.

(c) Melbourne consumer price index.

(d) Wage price index, Victoria (based on total hourly rates of pay, excluding bonuses).

(e) Percentage change over the year to 30 June. Forecasts are rounded to the nearest 0.1 percentage point.

(f) Estimate, actual not yet available.

## HOW FUNDS ARE RAISED

### Introduction

This section presents the sources and amounts of revenue forecast for the general government sector.

Revenue from transactions is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably estimated at fair value.

### Structure

[4.2.1 Taxation revenue 2](#_Toc530147729)

[4.2.2 Dividends, income tax equivalent and rate equivalent revenue 2](#_Toc530147730)

[4.2.3 Sales of goods and services 2](#_Toc530147731)

[4.2.4 Grant revenue 2](#_Toc530147732)

[4.2.5 Other revenue 2](#_Toc530147733)

### Taxation revenue ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| **Taxes on employers’ payroll and labour force** | **6 193** | **6 327** | **6 605** | **6 903** | **7 234** |
| **Taxes on immovable property** |  |  |  |  |  |
| Land tax | 3 093 | 3 433 | 3 620 | 3 696 | 4 016 |
| Fire Services Property Levy (a) | 642 | 644 | 698 | 719 | 738 |
| Congestion levy | 122 | 104 | 105 | 105 | 106 |
| Metropolitan improvement levy | 169 | 169 | 174 | 178 | 182 |
| **Total taxes on property** | **4 026** | **4 350** | **4 597** | **4 698** | **5 042** |
| **Gambling taxes** |  |  |  |  |  |
| Public lotteries | 418 | 424 | 424 | 424 | 424 |
| Electronic gaming machines | 1 119 | 1 147 | 1 154 | 1 167 | 1 180 |
| Casino | 237 | 239 | 247 | 254 | 261 |
| Racing and other sports betting (b) | 70 | 106 | 140 | 143 | 147 |
| Other (b) | 32 | 13 | 13 | 14 | 15 |
| **Financial and capital transactions** |  |  |  |  |  |
| Land transfer duty | 7 067 | 6 463 | 6 598 | 6 863 | 7 171 |
| Metropolitan planning levy | 26 | 24 | 23 | 24 | 25 |
| Financial accommodation levy | 174 | 170 | 193 | 209 | 222 |
| Growth areas infrastructure contributions | 238 | 287 | 300 | 330 | 369 |
| **Levies on statutory corporations (c)** | **157** | **157** | **157** | **..** | **..** |
| **Taxes on insurance** | **1 367** | **1 400** | **1 491** | **1 582** | **1 679** |
| **Total taxes on the provision of goods and services** | **10 904** | **10 429** | **10 739** | **11 010** | **11 493** |
| **Motor vehicle taxes** |  |  |  |  |  |
| Vehicle registration fees | 1 676 | 1 701 | 1 792 | 1 869 | 1 950 |
| Duty on vehicle registrations and transfers | 975 | 977 | 1 012 | 1 047 | 1 084 |
| **Liquor licence fees** | **24** | **24** | **25** | **25** | **26** |
| **Other** | **283** | **283** | **281** | **284** | **286** |
| **Total taxes on the use of goods and performance of activities** | **2 957** | **2 986** | **3 109** | **3 226** | **3 346** |
| **Total taxation revenue** | **24 081** | **24 092** | **25 050** | **25 836** | **27 116** |

Source: Department of Treasury and Finance

Notes:

(a) The Government set the 2017-18 and 2018-19 Fire Services Property Levy rates to collect the amount that was budgeted in 2016-17 ($662 million). In the 2018-19 Budget, the Government decided to return the 2017-18 over-collection through reduced rates for the 2018-19 levy year.

(b) The decline in other gambling taxes reflects a reclassification of Tabcorp sports betting to racing and other sports betting following the introduction of a point of consumption tax.

(c) The fourth tranche of the environmental contribution levy commenced on 1 July 2016 for a period of four years concluding on 30 June 2020.

### Dividends, income tax equivalent and rate equivalent revenue ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Dividends from PFC sector | 507 | 511 | 65 | 81 | 96 |
| Dividends from PNFC sector | 160 | 205 | 183 | 165 | 141 |
| Dividends from non-public sector | 31 | 78 | 107 | 109 | 111 |
| **Dividends** | **698** | **794** | **356** | **355** | **348** |
| Income tax equivalent revenue from PFC sector | 31 | 104 | 22 | 42 | 10 |
| Income tax equivalent revenue from PNFC sector | 186 | 197 | 197 | 192 | 203 |
| **Income tax equivalent revenue** | **217** | **302** | **219** | **234** | **213** |
| Local government rate equivalent revenue | 7 | 7 | 7 | 7 | 7 |
| Total dividends, income tax equivalent and  rate equivalent revenue | 922 | 1 103 | 582 | 596 | 567 |

Source: Department of Treasury and Finance

Dividends by entity (a) ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| **Public financial corporations** |  |  |  |  |  |
| Victorian Managed Insurance Authority (b) | 408 | 408 | 34 | 41 | 49 |
| Treasury Corporation of Victoria | 91 | 91 | 22 | 29 | 37 |
| State Trustees Ltd | 4 | 5 | 2 | 2 | 2 |
| Victorian Funds Management Corporation | 4 | 7 | 6 | 8 | 8 |
| WorkSafe Victoria | .. | .. | .. | .. | .. |
| **Dividends from PFC sector** | **507** | **511** | **65** | **81** | **96** |
| **Public non-financial corporations** |  |  |  |  |  |
| City West Water Corporation | 26 | 34 | 31 | 25 | 24 |
| Melbourne Water Corporation | 12 | 35 | 9 | .. | .. |
| South East Water Corporation | 56 | 81 | 46 | 48 | 49 |
| Yarra Valley Water Corporation | 34 | 44 | 51 | 36 | 35 |
| Development Victoria | 29 | 9 | 43 | 54 | 31 |
| Others | 2 | 2 | 3 | 2 | 2 |
| Dividends from PNFC sector | 160 | 205 | 183 | 165 | 141 |

Source: Department of Treasury and Finance

Notes:

(a) ‘Amounts equivalent to dividends’ to be paid by the Transport Accident Commission are received and reported as contributions forming part of grant revenue, consistent with the requirements of AASB 1023 General Insurance Contracts (AASB 1023). The amounts forecast to be paid are $586 million in 2018-19, $383 million in 2019-20, $407 million in 2020-21 and $500 million in 2021-22.

(b) The 2018-19 amount includes a Victorian Managed Insurance Authority dividend deferred from 2017-18.

### Sales of goods and services ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Motor vehicle regulatory fees | 225 | 225 | 234 | 266 | 300 |
| Other regulatory fees | 539 | 539 | 547 | 558 | 566 |
| Sale of goods | 89 | 89 | 93 | 96 | 99 |
| Provision of services | 4 342 | 4 387 | 5 080 | 5 276 | 5 258 |
| Rental | 78 | 83 | 82 | 82 | 84 |
| Refunds and reimbursements | 11 | 15 | 11 | 11 | 11 |
| Inter-sector capital asset charge | 2 257 | 2 257 | 2 371 | 2 395 | 2 408 |
| **Total sales of goods and services** | **7 541** | **7 594** | **8 417** | **8 685** | **8 726** |

Source: Department of Treasury and Finance

### Grant revenue ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| General purpose grants | 16 881 | 16 853 | 17 958 | 18 639 | 19 160 |
| Specific purpose grants for on-passing | 3 997 | 3 703 | 4 220 | 4 462 | 4 717 |
| Grants for specific purposes | 11 847 | 11 952 | 10 718 | 10 953 | 11 387 |
| **Total** | **32 725** | **32 508** | **32 897** | **34 054** | **35 264** |
| Other contributions and grants | 733 | 1 006 | 801 | 632 | 678 |
| **Total grant revenue** | **33 458** | **33 515** | **33 697** | **34 686** | **35 942** |

Source: Department of Treasury and Finance

### Other revenue ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Fair value of assets received free of charge or for nominal consideration | 69 | 69 | 70 | 58 | 58 |
| Fines | 785 | 788 | 820 | 838 | 857 |
| Royalties | 100 | 99 | 102 | 104 | 107 |
| Donations and gifts | 313 | 317 | 311 | 338 | 346 |
| Other non-property rental | 27 | 27 | 28 | 29 | 31 |
| Other revenue – Education | 643 | 643 | 659 | 675 | 692 |
| Other revenue – Health | 49 | 49 | 51 | 53 | 54 |
| Other miscellaneous revenue | 637 | 644 | 554 | 562 | 570 |
| **Total other revenue** | **2 622** | **2 636** | **2 594** | **2 656** | **2 714** |

Source: Department of Treasury and Finance

## HOW FUNDS ARE SPENT

### Introduction

This section details the major components of forecast expenditure for the general government sector’s operating activities (expenses from transactions) and capital or infrastructure projects during the year, as well as any related obligations.

### Structure

[4.3.1 Employee expenses and   
provision for outstanding   
employee benefits 2](#_Toc530147960)

[4.3.2 Superannuation expense and   
other superannuation expenses 2](#_Toc530147961)

[4.3.3 Grant expense 2](#_Toc530147962)

[4.3.4 Other operating expenses 2](#_Toc530147963)

[4.3.5 Total expenses by classification   
of the functions of government   
and by portfolio department 2](#_Toc530147964)

[4.3.6 Purchases of non-financial assets   
by classification of the functions   
of government and by portfolio department 2](#_Toc530147965)

[4.3.7 Net acquisition of non-financial assets from transactions 2](#_Toc530147966)

### Employee expenses and provision for outstanding employee benefits

Employee expenses and employee benefits are forecast on the basis of staffing profiles and current salaries, conditions and on costs. For the forecast period, employee expenses and employee benefits includes the expected financial impact of employing more staff to increase service delivery and approved wage outcomes, in line with wages policy. Forecast employee expenses also reflect the estimated impact of budget decisions, which either increase or reduce employee expenses. The majority of employee expenses in the operating statement are salaries and wages.

Employee benefits (balance sheet) ($ million)

|  | 2019 budget | | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| **Current** |  | |  |  |  |  |
| Accrued salaries and wages | 609 | | 606 | 620 | 635 | 651 |
| Other employee benefits | 87 | | 87 | 87 | 87 | 87 |
| Annual leave | 1 649 | | 1 647 | 1 683 | 1 720 | 1 757 |
| Long service leave | 4 074 | | 4 026 | 4 169 | 4 316 | 4 465 |
| **Total current employee benefits and on-costs** | **6 419** | | **6 366** | **6 558** | **6 758** | **6 960** |
| **Non-current** |  | |  |  |  |  |
| Long service leave | 952 | | 953 | 1 072 | 1 167 | 1 267 |
| **Total non-current employee benefits and on-costs** | | **952** | **953** | **1 072** | **1 167** | **1 267** |
| **Total employee benefits** | **7 372** | | **7 319** | **7 631** | **7 926** | **8 227** |

Source: Department of Treasury and Finance

### Superannuation expense and other superannuation expenses

Superannuation expense recognised in the operating statement ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| **Defined benefit plans** |  |  |  |  |  |
| Net superannuation interest expense | 662 | 688 | 639 | 610 | 580 |
| Current service cost | 918 | 1 000 | 992 | 1 002 | 1 051 |
| Remeasurements: |  |  |  |  |  |
| Expected return on superannuation assets excluding interest income | (1 014) | (1 039) | (1 053) | (1 074) | (1 094) |
| Other actuarial (gain)/loss on superannuation assets | .. | (40) | .. | .. | .. |
| Actuarial and other adjustments to unfunded superannuation liability | .. | (917) | .. | .. | .. |
| **Total expense recognised in respect of  defined benefit plans** | **566** | **(308)** | **578** | **538** | **538** |
| **Defined contribution plans** |  |  |  |  |  |
| Employer contributions to defined contribution plans | 1 686 | 1 679 | 1 736 | 1 795 | 1 864 |
| Other (including pensions) | 71 | 71 | 73 | 75 | 76 |
| **Total expense recognised in respect of  defined contribution plans** | **1 758** | **1 750** | **1 810** | **1 870** | **1 940** |
| **Total superannuation (gain)/expense  recognised in operating statement** | **2 324** | **1 442** | **2 388** | **2 408** | **2 478** |
| **Represented by:** |  |  |  |  |  |
| Net superannuation interest expense | 662 | 688 | 639 | 610 | 580 |
| Other superannuation | 2 676 | 2 750 | 2 802 | 2 873 | 2 992 |
| **Superannuation expense from transactions** | **3 338** | **3 439** | **3 441** | **3 482** | **3 572** |
| **Remeasurements recognised in other comprehensive income** | **(1 014)** | **(1 996)** | **(1 053)** | **(1 074)** | **(1 094)** |
| **Total superannuation expense recognised in operating statement** | **2 324** | **1 442** | **2 388** | **2 408** | **2 478** |

Source: Department of Treasury and Finance

The accounting policies relating to superannuation expenses and liabilities are consistent with the *2018-19 Budget*. However, the forecast assumptions have been revised for each relevant defined benefit superannuation scheme as in the following table.

Superannuation assumptions (per cent)

|  |  |
| --- | --- |
| Underlying assumptions for all listed schemes (a) |  |
| Discount rate (b) | 2.9 |
| Wages growth (c) | 3.2 |
| Inflation rate (d) | 1.7 |
| *Expected return on assets (e)* |  |
| Emergency Services and State Super | 8.0 |
| Health Super Fund Defined Benefit Scheme | 5.0 |
| 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 bond rate. The rate stated above is an annual effective rate, gross of tax.

(c) Based on the historical relationship between price and wage inflation, wages growth is assumed to be 1.5 per cent higher than price inflation.

(d) The superannuation assumptions are determined in accordance with Australian accounting standard AASB 119 Employee Benefits, which requires that the discount rate be based on Commonwealth bond yields. To ensure consistency with the market-based discount rate, the inflation rate assumed by the actuary reflects market expectations of price inflation, as implied by the relationship between the yields on nominal and inflation linked Commonwealth bonds. Therefore, these assumptions differ from the key economic assumptions in this chapter, which reflect the expected change in consumer prices in Melbourne and movements in wages and salaries in the Victorian labour market.

(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.

### Grant expense ($ million)

|  | 2018-19 budget | | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| **Current grant expense** |  | |  |  |  |  |
| Commonwealth Government (a) | 1 755 | | 1 778 | 2 852 | 2 957 | 3 034 |
| Local government (including grants for on-passing) | | 1 212 | 726 | 658 | 646 | 651 |
| Private sector and not-for-profit for on-passing | 3 404 | | 3 427 | 3 598 | 3 813 | 4 038 |
| Other private sector and not-for-profit | 2 534 | | 2 624 | 2 769 | 2 600 | 2 809 |
| Grants within the Victorian Government | 3 707 | | 3 840 | 3 728 | 3 679 | 3 642 |
| Grants to other state governments | 21 | | 21 | 21 | 21 | 21 |
| **Total current grant expense** | **12 633** | | **12 417** | **13 626** | **13 716** | **14 195** |
| **Capital grant expense** |  | |  |  |  |  |
| Commonwealth Government |  | |  |  |  |  |
| Local government  (including grants for on-passing) | 83 | | 179 | 220 | 175 | 176 |
| Private sector and not-for-profit on-passing | 115 | | 115 | 135 | 110 | 35 |
| Other private sector and not-for-profit | 4 | | 4 | 4 | 4 | 4 |
| Grants within the Victorian Government | 44 | | 44 | 16 | 2 | 1 |
| Other grants | 22 | | 26 | 44 | .. | .. |
| **Total capital grant expense** | **268** | | **368** | **419** | **292** | **216** |
| **Total grant expense** | **12 901** | | **12 785** | **14 045** | **14 007** | **14 411** |

Source: Department of Treasury and Finance

*Note:*

*(a) The increase in Commonwealth grant expense is largely due to the State’s contribution to the National Disability Insurance Scheme (NDIS).*

### Other operating expenses ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Purchase of supplies and consumables (a) | 6 159 | 6 091 | 5 992 | 6 094 | 6 655 |
| Cost of goods sold | 30 | 29 | 29 | 30 | 31 |
| Finance expenses and fees | 32 | 31 | 32 | 32 | 32 |
| Purchase of services (a)(b) | 12 702 | 12 809 | 11 896 | 11 433 | 11 373 |
| Insurance claims expense | 267 | 267 | 269 | 277 | 285 |
| Maintenance | 904 | 906 | 891 | 913 | 919 |
| Operating lease payments | 339 | 343 | 346 | 351 | 355 |
| Other | 832 | 820 | 849 | 885 | 848 |
| **Total other operating expenses** | **21 264** | **21 296** | **20 305** | **20 016** | **20 498** |

Source: Department of Treasury and Finance

Notes:

(a) The following two tables breakdown the purchase of supplies and consumables and the purchase of services.

(b) The reduction in the purchase of services in 2019-20 is largely due to the State’s existing expenditure on disability services, including payments to disability service providers, being allocated towards the State’s contribution to the NDIS. These services will be funded by the NDIS.

Purchase of supplies and consumables ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Medicinal pharmacy and medical supplies | 1 545 | 1 514 | 1 541 | 1 572 | 1 604 |
| Office supplies and consumables | 185 | 191 | 186 | 187 | 192 |
| Specialised operational supplies and consumables | 133 | 150 | 137 | 146 | 143 |
| Other purchase of supplies and consumables | 4 295 | 4 235 | 4 129 | 4 189 | 4 716 |
| Total purchase of supplies and consumables | 6 159 | 6 091 | 5 992 | 6 094 | 6 655 |

Source: Department of Treasury and Finance

Purchase of services ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Service contracts (a) | 7 196 | 7 188 | 6 861 | 6 684 | 6 839 |
| Accommodation/occupancy | 855 | 847 | 811 | 815 | 815 |
| Medical and client care services | 385 | 387 | 393 | 397 | 401 |
| Staff related expenses (non-labour related) | 254 | 269 | 262 | 260 | 260 |
| Other purchase of services | 4 012 | 4 117 | 3 569 | 3 277 | 3 058 |
| Total purchase of services | 12 702 | 12 809 | 11 896 | 11 433 | 11 373 |

Source: Department of Treasury and Finance

Note:

(a) The reduction in service contracts in 2019-20 is largely due to the State’s existing expenditure on disability services, including payments to disability service providers, being allocated towards the State’s contribution to the NDIS. These services will be funded by the NDIS.

### Total expenses by classification of the functions of government and by portfolio department

Expenses by classification of the functions of government (a) ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| General public services | 3 968 | 3 877 | 3 784 | 3 750 | 3 861 |
| Public order and safety | 8 144 | 8 290 | 8 250 | 8 409 | 8 545 |
| Economic affairs | 1 951 | 2 115 | 1 405 | 1 052 | 942 |
| Environmental protection | 766 | 844 | 744 | 703 | 674 |
| Housing and community amenities | 2 421 | 2 196 | 2 212 | 2 117 | 2 017 |
| Health | 19 634 | 19 449 | 20 079 | 21 044 | 21 960 |
| Recreation, culture and religion | 922 | 938 | 680 | 615 | 552 |
| Education | 16 436 | 16 454 | 16 522 | 16 954 | 18 172 |
| Social protection (b) | 6 136 | 6 450 | 7 017 | 7 059 | 7 047 |
| Transport | 8 260 | 8 343 | 8 059 | 8 188 | 8 087 |
| Not allocated by purpose (c) | (529) | (1 439) | 650 | 652 | 976 |
| Total expenses by COFOG | 68 108 | 67 517 | 69 403 | 70 544 | 72 833 |

Source: Department of Treasury and Finance

Notes:

(a) The classification of the functions of government (COFOG) framework has replaced the former Government Purpose Classification (GPC) framework under the new ABS GFS Manual. This was implemented for the first time in the 2018-19 Budget. Note 1.7.5 of Budget Paper No.5 of the 2018-19 Budget provides definitions and descriptions of the COFOG.

(b) The State’s contribution to the NDIS transition is expected to increase over the next four years as more clients transition into the scheme.

(c) Mainly comprising provision for future demand growth, departmental underspending, eliminated purchases of supplies and consumables between government entities, and items not yet formalised at the time of publication.

Total expenses by portfolio department ($ million)

|  | | 2018-19  budget | | 2018-19  revised | 2019-20  estimate | 2020-21  estimate | 2021-22  estimate |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Expenses from transactions** | |  | |  |  |  |  |
| Economic Development, Jobs, Transport and Resources | | 10 645 | | 10 834 | 9 923 | 9 760 | 9 522 |
| Education and Training | | 18 345 | | 18 494 | 18 502 | 18 572 | 19 260 |
| Environment, Land, Water and Planning | | 3 581 | | 3 799 | 3 286 | 2 925 | 2 762 |
| Health and Human Services | | 26 926 | | 27 236 | 27 928 | 28 280 | 28 708 |
| Justice and Regulation | | 7 616 | | 7 787 | 7 734 | 7 931 | 8 062 |
| Premier and Cabinet | | 764 | | 820 | 570 | 469 | 409 |
| Treasury and Finance | | 7 444 | | 7 618 | 7 315 | 7 520 | 7 825 |
| Parliament | | 230 | | 233 | 228 | 231 | 233 |
| Courts | | 658 | | 675 | 687 | 694 | 729 |
| Regulatory bodies and other part funded agencies (a) | | | 2 268 | 2 451 | 2 344 | 2 349 | 2 360 |
| Output contingencies not allocated to departments (b) | 1 325 | | | 834 | 2 128 | 3 067 | 4 312 |
| **Total expenses by department** | | **79 801** | | **80 780** | **80 646** | **81 799** | **84 181** |
| *Less eliminations and adjustments (c)* | | *(11 693)* | | *(13 263)* | *(11 243)* | *(11 255)* | *(11 349)* |
| Total expenses | | 68 108 | | 67 517 | 69 403 | 70 544 | 72 833 |

Source: Department of Treasury and Finance

Notes:

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

(b) The following table provides a breakdown of the general government output contingencies not allocated to departments.

(c) Mainly comprising payroll tax, capital asset charge, departmental underspend estimates and inter-departmental transfers.

General government output contingencies not allocated to departments ($ million)

|  | 2018-19  budget | 2018-19  revised | 2019-20  estimate | 2020-21  estimate | 2021-22  estimate |
| --- | --- | --- | --- | --- | --- |
| Decisions made but not yet allocated (a) | 1 225 | 799 | 1 278 | 2 267 | 3 412 |
| Funding not allocated to specific purposes (b) | 100 | 34 | 850 | 800 | 900 |
| Total general government output contingencies | 1 325 | 834 | 2 128 | 3 067 | 4 312 |

Source: Department of Treasury and Finance

Notes:

(a) Reflects existing government policy decisions for which funding has yet to be allocated to departments; provisions not yet allocated to meet additional price and demand growth for health, disability services and education; and a provision for estimated depreciation expense associated with the general government unallocated asset 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.

### Purchases of non-financial assets by classification of the functions of government and by portfolio department

Purchases of non-financial assets by classification of the functions of government (a)    
 ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| General public services | 63 | 102 | 35 | 22 | 25 |
| Public order and safety | 1 099 | 1 275 | 922 | 872 | 640 |
| Economic affairs | 19 | 53 | 56 | 87 | 59 |
| Environmental protection | 121 | 144 | 136 | 42 | 40 |
| Housing and community amenities | 94 | 68 | 53 | 56 | 48 |
| Health | 1 019 | 1 119 | 543 | 691 | 659 |
| Recreation, culture and religion | 140 | 136 | 88 | 42 | 39 |
| Education | 1 580 | 1 603 | 862 | 381 | 200 |
| Social protection | 110 | 154 | 101 | 95 | 76 |
| Transport | 7 008 | 6 215 | 6 264 | 4 094 | 2 677 |
| Not allocated by purpose (b) | (1 165) | (1 508) | (163) | 950 | 2 136 |
| Total purchases of non-financial assets | 10 091 | 9 361 | 8 896 | 7 333 | 6 598 |

Source: Department of Treasury and Finance

Notes:

(a) The COFOG framework has replaced the former GPC framework under the new ABS GFS Manual. This was implemented for the first time in the 2018-19 Budget. Note 1.7.5 of Budget Paper No.5 of the 2018-19 Budget provides definitions and descriptions of the COFOG.

(b) Estimated amount available to be allocated to departments and projects in future budgets, including major capital investment. It also includes departmental spending, which may be subject to carryover.

Purchases of non-financial assets by portfolio department ($ million)

|  | 2018-19 budget | | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| Economic Development, Jobs, Transport and Resources | 5 590 | | 6 185 | 4 367 | 2 382 | 1 122 |
| Education and Training | 1 637 | | 1 660 | 870 | 389 | 207 |
| Environment, Land, Water and Planning | 186 | | 181 | 147 | 147 | 108 |
| Health and Human Services | 1 207 | | 1 351 | 622 | 593 | 388 |
| Justice and Regulation | 607 | | 782 | 402 | 212 | 96 |
| Premier and Cabinet | 25 | | 51 | 14 | 8 | 11 |
| Treasury and Finance | 37 | | 43 | 24 | 15 | 15 |
| Parliament | 4 | | 10 | .. | .. | .. |
| Courts | 109 | | 120 | 22 | 7 | 6 |
| Regulatory bodies and other part funded agencies (a) | | 253 | 288 | 211 | 115 | 110 |
| Asset contingencies not allocated to departments (b) | | 1 640 | 349 | 2 611 | 3 183 | 3 539 |
| Adjustments (c) | (1 204) | | (1 660) | (390) | 281 | 997 |
| Total purchases of non-financial assets  by department | 10 091 | | 9 361 | 8 896 | 7 333 | 6 598 |

Source: Department of Treasury and Finance

Notes:

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

(b) The following table provides a breakdown of the general government asset contingencies not allocated to departments.

(c) Mainly comprises estimated general government underspend, which may be subject to carryover.

General government asset contingencies not allocated to departments ($ million)

|  | 2018-19  budget | 2018-19  revised | 2019-20  estimate | 2020-21  estimate | 2021-22  estimate |
| --- | --- | --- | --- | --- | --- |
| Decisions made but not yet allocated (a) | 1 640 | 349 | 2 224 | 2 475 | 1 889 |
| Funding not allocated to specific purposes (b) | .. | .. | 387 | 708 | 1 650 |
| Total general government asset contingencies | 1 640 | 349 | 2 611 | 3 183 | 3 539 |

Source: Department of Treasury and Finance

Notes:

(a) A provision to account for asset policy decisions for which the funding has yet to be allocated to departments.

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

### Net acquisition of non-financial assets from transactions ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Purchases of non-financial assets  (including change in inventories) | 10 095 | 9 366 | 8 900 | 7 337 | 6 603 |
| Less: Sales of non-financial assets | (368) | (365) | (416) | (390) | (346) |
| Less: Depreciation and amortisation | (2 876) | (2 921) | (3 033) | (3 332) | (3 526) |
| Less: Other movements in non-financial assets (a)(b) | (4 931) | (4 053) | (2 371) | (1 271) | (815) |
| Total net acquisition of non-financial assets from transactions | 1 921 | 2 027 | 3 079 | 2 345 | 1 915 |

Source: Department of Treasury and Finance

Notes:

(a) The other movements in non-financial assets includes the transfer of fixed assets to other sectors of government, State capital contributions to major projects and recognising finance lease arrangements, including from public private partnerships.

(b) The finance lease acquisitions across the forward estimates predominately relate to the High Capacity Metro Trains Project, the Western Roads Upgrade, the Casey Hospital Expansion, the Northern Roads Upgrade and the South Eastern Roads Upgrade.

## MAJOR ASSETS AND INVESTMENTS

### Introduction

This section outlines the major assets that the general government sector controls from investing activities in the prior, current, and future years.

### Structure

[4.4.1 Total land, buildings,   
infrastructure, plant and   
equipment 2](#_Toc530148069)

[4.4.2 Depreciation 2](#_Toc530148070)

[4.4.3 Reconciliation of movements in land, buildings, infrastructure,   
plant and equipment 2](#_Toc530148071)

[4.4.4 Other non-financial assets 2](#_Toc530148072)

[4.4.5 Total assets by classification of   
the functions of government 2](#_Toc530148073)

### Total land, buildings, infrastructure, plant and equipment ($ million)

|  | 2019 budget | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- |
| Buildings | 31 604 | 31 631 | 32 030 | 33 344 | 36 180 |
| Leased buildings | 5 424 | 5 462 | 5 291 | 5 113 | 4 929 |
| Land and national parks | 58 923 | 58 902 | 62 376 | 62 658 | 64 412 |
| Infrastructure systems | 1 408 | 1 407 | 1 424 | 1 393 | 1 350 |
| Plant, equipment and vehicles | 2 548 | 2 584 | 2 380 | 2 086 | 1 728 |
| Leased plant, equipment and vehicles | 224 | 224 | 206 | 188 | 171 |
| Roads and road infrastructure | 22 164 | 22 015 | 25 477 | 25 823 | 26 278 |
| Leased roads and road infrastructure | 579 | 579 | 1 355 | 1 506 | 1 554 |
| Earthworks | 8 290 | 8 279 | 9 506 | 9 646 | 9 703 |
| Cultural assets | 5 639 | 5 639 | 5 632 | 6 301 | 6 310 |
| **Total land, buildings, infrastructure, plant  and equipment** | **136 801** | **136 721** | **145 677** | **148 058** | **152 615** |

Source: Department of Treasury and Finance

### Depreciation ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Buildings (a) | 1 198 | 1 236 | 1 302 | 1 388 | 1 489 |
| Leased buildings | 195 | 195 | 198 | 198 | 198 |
| Infrastructure systems | 37 | 47 | 48 | 50 | 50 |
| Plant, equipment and vehicles (a) | 624 | 619 | 623 | 659 | 659 |
| Leased plant, equipment and vehicles | 17 | 17 | 17 | 19 | 19 |
| Roads and road networks (a) | 624 | 623 | 654 | 812 | 903 |
| Leased roads and road infrastructure | 9 | 9 | 10 | 23 | 23 |
| Cultural assets | 26 | 26 | 24 | 23 | 22 |
| Intangible produced assets (b) | 145 | 148 | 157 | 159 | 163 |
| **Total depreciation** | **2 876** | **2 921** | **3 033** | **3 332** | **3 526** |

Source: Department of Treasury and Finance

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2018-19 to 2021-22.

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

### Reconciliation of movements in land, buildings, infrastructure, plant and equipment (a) ($ million)

|  | 2019 budget | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- |
| Carrying amount at the start of the year | 134 141 | 134 141 | 136 721 | 145 677 | 148 058 |
| Additions (b) | 10 586 | 9 798 | 9 843 | 7 740 | 6 484 |
| Disposals at written down value | (263) | (252) | (323) | (264) | (270) |
| Revaluations (c) | 700 | 700 | 6 860 | 1 441 | 3 797 |
| Asset transfers (d) | (5 632) | (4 893) | (4 548) | (3 363) | (2 092) |
| Depreciation expense | (2 730) | (2 773) | (2 876) | (3 172) | (3 363) |
| Carrying amount at the end of the year | 136 801 | 136 721 | 145 677 | 148 058 | 152 615 |

Source: Department of Treasury and Finance

Notes:

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

(b) Includes assets acquired under finance lease arrangements.

(c) The 2019-20 amount mainly represents a forecast revaluation of transport assets consistent with the revaluation cycle per the State’s accounting policy.

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

### Other non-financial assets ($ million)

|  | 2019 budget | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- |
| Intangible produced assets | 1 965 | 2 015 | 1 978 | 1 964 | 1 974 |
| Accumulated depreciation | (1 135) | (1 138) | (1 250) | (1 385) | (1 524) |
| Intangible non-produced assets | 119 | 119 | 119 | 120 | 122 |
| Accumulated amortisation | (42) | (42) | (44) | (47) | (50) |
| **Total intangibles** | **906** | **954** | **803** | **652** | **523** |
| Investment properties | 184 | 183 | 183 | 183 | 182 |
| Biological assets | 4 | 4 | 5 | 7 | 8 |
| Other assets | 884 | 990 | 2 166 | 3 732 | 4 558 |
| **Total other non-financial assets** | **1 978** | **2 130** | **3 157** | **4 574** | **5 271** |

Source: Department of Treasury and Finance

### Total assets by classification of the functions of government (a) ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| General public services | 2 163 | 2 165 | 2 120 | 2 086 | 2 086 |
| Public order and safety | 10 050 | 10 249 | 10 885 | 11 346 | 11 473 |
| Economic affairs | 1 120 | 1 152 | 1 156 | 1 152 | 1 142 |
| Environmental protection | 11 926 | 11 948 | 13 075 | 13 424 | 13 410 |
| Housing and community amenities | 1 775 | 1 739 | 1 685 | 1 693 | 1 717 |
| Health | 15 336 | 15 436 | 15 033 | 14 748 | 14 408 |
| Recreation, culture and religion | 7 420 | 7 415 | 7 476 | 7 515 | 7 537 |
| Education | 28 341 | 28 367 | 28 710 | 28 562 | 31 828 |
| Social protection | 3 305 | 3 346 | 3 423 | 3 471 | 3 478 |
| Transport | 59 283 | 59 411 | 67 881 | 71 303 | 71 810 |
| Not allocated by purpose (b) | 130 995 | 129 966 | 133 310 | 135 322 | 138 424 |
| Total assets by COFOG | 271 712 | 271 194 | 284 753 | 290 623 | 297 315 |

Source: Department of Treasury and Finance

Notes:

(a) The COFOG framework has replaced the former GPC framework under the new ABS GFS Manual. This was implemented for the first time in the 2018-19 Budget. Note 1.7.5 of Budget Paper No.5 of the 2018-19 Budget provides definitions and descriptions of the COFOG.

(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.

## FINANCING STATE OPERATIONS

### Introduction

State operations are financed through a variety of means. Recurrent operations are generally financed from cash flows from operating activities (see consolidated cash flow statement). Asset investment operations are generally financed from a combination of surplus cash flows from operating activities, asset sales, advances and borrowings.

This section provides information on the balances related to the financing of the general government sector’s operations.

### Structure

[4.5.1 Borrowings 2](#_Toc530148112)

[4.5.2 Advances paid and investments, loans and placements 2](#_Toc530148113)

[4.5.3 Interest expense 2](#_Toc530148114)

### **Borrowings** ($ million)

|  | 2019 budget | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- |
| **Current borrowings** |  |  |  |  |  |
| Domestic borrowings | 3 613 | 1 113 | 1 113 | 1 113 | 1 113 |
| Finance lease liabilities (a) | 265 | 265 | 207 | 226 | 408 |
| Derivative financial instruments | 9 | 184 | 264 | 330 | 322 |
| **Total current borrowings** | **3 887** | **1 562** | **1 584** | **1 669** | **1 843** |
| **Non-current borrowings** |  |  |  |  |  |
| Domestic borrowings | 25 179 | 23 168 | 27 973 | 30 361 | 32 005 |
| Finance lease liabilities (a) | 9 685 | 9 685 | 10 493 | 10 733 | 10 666 |
| Derivative financial instruments | 107 | 107 | 107 | 107 | 107 |
| **Total non-current borrowings** | **34 971** | **32 960** | **38 574** | **41 202** | **42 778** |
| **Total borrowings** | **38 859** | **34 522** | **40 158** | **42 870** | **44 621** |

Source: Department of Treasury and Finance

Note:

(a) Further detailed disclosures on finance lease liabilities can be found in the 2017-18 Financial Report for the State of Victoria.

### Advances paid and investments, loans and placements ($ million)

|  | 2019 budget | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- |
| **Current advances paid and investments, loans and placements** | | | | | |
| Loans and advances paid | 1 742 | 1 891 | 1 303 | 605 | 130 |
| Equities and managed investment schemes | 1 171 | 1 191 | 1 210 | 1 258 | 1 275 |
| Australian dollar term deposits | 1 159 | 1 159 | 1 127 | 1 146 | 1 154 |
| Debt securities | 2 | 2 | 2 | 2 | 2 |
| Derivative financial instruments | 9 | 9 | 42 | 62 | 75 |
| **Total current advances paid and investments, loans and placements** | **4 084** | **4 251** | **3 685** | **3 074** | **2 636** |
| **Non-current advances paid and investments, loans and placements** | | | | | |
| Loans and advances paid | 6 546 | 6 634 | 5 338 | 4 738 | 4 667 |
| Equities and managed investment schemes | 1 096 | 1 084 | 1 498 | 1 560 | 1 583 |
| Australian dollar term deposits | 728 | 728 | 795 | 900 | 1 131 |
| Debt securities | 29 | 29 | 29 | 29 | 29 |
| Derivative financial instruments | 3 | 3 | 3 | 3 | 3 |
| **Total non-current advances paid and investments, loans and placements** | **8 402** | **8 478** | **7 663** | **7 230** | **7 413** |
| **Total advances paid and investments,  loans and placements** | **12 486** | **12 729** | **11 348** | **10 304** | **10 049** |
| **Represented by:** |  |  |  |  |  |
| Advances paid | 8 289 | 8 524 | 6 641 | 5 342 | 4 796 |
| Investments, loans and placements | 4 197 | 4 204 | 4 707 | 4 962 | 5 253 |

Source: Department of Treasury and Finance

### Interest expense ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Interest on interest-bearing liabilities | 1 266 | 1 186 | 1 227 | 1 269 | 1 302 |
| Finance charges on finance leases | 864 | 867 | 870 | 906 | 921 |
| Discount interest on payables | 37 | 37 | 37 | 37 | 37 |
| **Total interest expense** | **2 167** | **2 090** | **2 133** | **2 211** | **2 260** |

Source: Department of Treasury and Finance

## OTHER ASSETS AND LIABILITIES

### Introduction

This section sets out other assets and liabilities that arise from the general government’s operations.

### Structure

[4.6.1 Investments in other sector   
entities 2](#_Toc530148234)

[4.6.2 Payables 2](#_Toc530148235)

[4.6.3 Superannuation 2](#_Toc530148236)

### Investments in other sector entities ($ million)

|  | 2019 budget | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- |
| Balance of investment in PNFC and PFC sectors at beginning of period | 101 253 | 101 253 | 108 405 | 113 084 | 115 823 |
| Net contributions to other sectors by owner | 5 749 | 5 130 | 3 528 | 2 205 | 1 846 |
| Revaluation gain/(loss) for period | 34 | 2 021 | 1 152 | 535 | (524) |
| **Investment in other sector entities at end of period** | **107 036** | **108 405** | **113 084** | **115 823** | **117 145** |

Source: Department of Treasury and Finance

### Payables ($ million)

|  | 2019 budget | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- |
| **Current payables** |  |  |  |  |  |
| Accounts payable and accrued expenses | 4 129 | 4 060 | 4 057 | 4 146 | 3 534 |
| Accrued taxes payable | 61 | 60 | 61 | 62 | 62 |
| Unearned income | 663 | 675 | 670 | 667 | 665 |
| **Total current payables** | **4 853** | **4 796** | **4 788** | **4 875** | **4 261** |
| **Non-current payables** |  |  |  |  |  |
| Accounts payable and other payables | 185 | 185 | 187 | 81 | 76 |
| Unearned income | 3 600 | 4 457 | 4 183 | 3 909 | 3 635 |
| **Total non-current payables** | **3 785** | **4 642** | **4 370** | **3 989** | **3 711** |
| **Total payables** | **8 638** | **9 438** | **9 157** | **8 864** | **7 972** |

Source: Department of Treasury and Finance

### Superannuation

Reconciliation of the superannuation liabilities ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| **Emergency Services and State Super** |  |  |  |  |  |
| Defined benefit obligation | 43 001 | 42 119 | 41 710 | 41 262 | 40 795 |
| Tax liability (a) | 2 438 | 2 438 | 2 338 | 2 235 | 2 140 |
| Plan assets | (22 398) | (22 487) | (23 053) | (23 609) | (24 100) |
| **Net liability/(asset)** | **23 042** | **22 071** | **20 995** | **19 888** | **18 835** |
| **Other funds (b)** |  |  |  |  |  |
| Defined benefit obligation | 2 125 | 2 157 | 2 161 | 2 164 | 2 183 |
| Tax liability (a) | .. | .. | .. | .. | .. |
| Plan assets | (1 002) | (960) | (936) | (912) | (891) |
| **Net liability/(asset)** | **1 123** | **1 197** | **1 225** | **1 251** | **1 292** |
| **Total superannuation** |  |  |  |  |  |
| Defined benefit obligation | 45 126 | 44 276 | 43 871 | 43 426 | 42 978 |
| Tax liability (a) | 2 438 | 2 438 | 2 338 | 2 235 | 2 140 |
| Plan assets | (23 400) | (23 446) | (23 989) | (24 522) | (24 991) |
| **Superannuation liability** | **24 164** | **23 268** | **22 220** | **21 139** | **20 127** |
| **Represented by:** |  |  |  |  |  |
| Current liability | 1 082 | 1 082 | 1 075 | 1 007 | 1 095 |
| Non-current liability | 23 083 | 22 187 | 21 144 | 20 132 | 19 032 |
| **Total superannuation liability** | **24 164** | **23 268** | **22 220** | **21 139** | **20 127** |

Source: Department of Treasury and Finance

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.

See Note 4.3.2 *Superannuation expense and other superannuation expenses* for further information on superannuation assumptions.

Reconciliation of the present value of the defined benefit obligation ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| **Opening balance of defined benefit obligation** | **48 151** | **48 151** | **46 715** | **46 208** | **45 661** |
| Current service cost | 918 | 1 000 | 992 | 1 002 | 1 051 |
| Interest expense | 1 270 | 1 314 | 1 287 | 1 272 | 1 257 |
| Contributions by plan participants | 194 | 203 | 198 | 195 | 193 |
| Actuarial and other adjustments to unfunded superannuation liability |  | (917) |  |  |  |
| Benefits paid | (2 968) | (3 036) | (2 984) | (3 017) | (3 044) |
| **Closing balance of defined benefit obligation** | **47 564** | **46 715** | **46 208** | **45 661** | **45 117** |

Source: Department of Treasury and Finance

Reconciliation of the fair value of superannuation plan assets ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| **Opening balance of plan assets** | **22 946** | **22 946** | **23 446** | **23 989** | **24 522** |
| Interest income | 607 | 626 | 648 | 663 | 676 |
| Return on plan assets not included in  interest income | 1 014 | 1 080 | 1 053 | 1 074 | 1 094 |
| Employer contributions | 1 607 | 1 629 | 1 627 | 1 618 | 1 550 |
| Contributions by plan participants | 194 | 203 | 198 | 195 | 193 |
| Benefits paid (including tax paid) | (2 968) | (3 036) | (2 984) | (3 017) | (3 044) |
| **Closing balance of plan assets** | **23 400** | **23 446** | **23 989** | **24 522** | **24 991** |

Source: Department of Treasury and Finance

## OTHER DISCLOSURES

### Introduction

This section includes several additional disclosures that assist the understanding of the Estimated Financial Statements.

### Structure

[4.7.1 Other gains/(losses) from other economic flows 2](#_Toc530148454)

[4.7.2 Reconciliation to Government Finance Statistics 2](#_Toc530148455)

[4.7.3 Financial instruments 2](#_Toc530148456)

[4.7.4 Prospective accounting and reporting changes 2](#_Toc530148457)

[4.7.5 Controlled entities 2](#_Toc530148458)

### **Other** gains/(losses) from other economic flows ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Net (increase)/decrease in provision for doubtful receivables | (212) | (212) | (208) | (230) | (225) |
| Amortisation of intangible non-produced assets | (4) | (4) | (4) | (4) | (4) |
| Bad debts written off | (129) | (129) | (144) | (110) | (133) |
| Other gains/(losses) | (1) | (3) | 1 | .. | .. |
| Total other gains/(losses) from other  economic flows | (345) | (347) | (355) | (343) | (362) |

Source: Department of Treasury and Finance

### Reconciliation to Government Finance Statistics (a)(b) ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| **Net result from transactions –  net operating balance** | **1 380** | **2 241** | **1 725** | **2 677** | **2 984** |
| *Convergence differences:* |  |  |  |  |  |
| Licence fees (c) | 52 | 52 | 52 | 52 | 52 |
| *plus total convergence difference:* | 52 | 52 | 52 | 52 | 52 |
| **GFS net operating balance** | **1 432** | **2 293** | **1 777** | **2 729** | **3 036** |
|  |  |  |  |  |  |
| **Net lending/(borrowing)** | **(541)** | **214** | **(1 355)** | **332** | **1 070** |
| *Convergence differences:* |  |  |  |  |  |
| Licence fees (c) | 52 | 52 | 52 | 52 | 52 |
| *plus total convergence difference:* | 52 | 52 | 52 | 52 | 52 |
| **GFS net lending/(borrowing)** | **(489)** | **266** | **(1 302)** | **384** | **1 122** |
|  |  |  |  |  |  |
| **Comprehensive result –  total change in net worth** | **2 878** | **6 713** | **10 547** | **5 463** | **7 094** |
| *Convergence differences:* |  |  |  |  |  |
| Doubtful receivables of the general government sector (d) | 41 | 41 | 39 | 41 | 46 |
| Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) (e) | (382) | (333) | (121) | (8) | (356) |
| Unearned income relating to licence fees (c) | 52 | 52 | 52 | 52 | 52 |
| Port of Melbourne lease transaction (f) | (144) | (144) | (144) | (144) | (153) |
| *plus total convergence difference:* | (434) | (385) | (174) | (59) | (411) |
| **GFS total change in net worth** | **2 445** | **6 328** | **10 373** | **5 403** | **6 683** |
|  |  |  |  |  |  |
| **Net worth** | **186 995** | **190 829** | **201 376** | **206 839** | **213 933** |
| *Convergence differences:* |  |  |  |  |  |
| Doubtful receivables of the general government sector (d) | 1 318 | 1 318 | 1 357 | 1 398 | 1 444 |
| Investments in other sector entities (g) | 6 787 | 6 836 | 6 716 | 6 708 | 6 352 |
| Unearned income relating to licence fees (c) | (679) | (679) | (626) | (574) | (522) |
| Port of Melbourne lease transaction (f) | (1 211) | (1 211) | (1 355) | (1 500) | (1 653) |
| *plus total convergence difference:* | 6 216 | 6 265 | 6 091 | 6 032 | 5 621 |
| GFS net worth | 193 210 | 197 094 | 207 467 | 212 870 | 219 554 |

Source: Department of Treasury and Finance

*Notes:*

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

*(b) Under the new ABS GFS manual the convergence difference for cash surplus/deficit relating to acquisitions under finance lease arrangements has been removed.*

*(c) The convergence difference arises because the GFS recognises the 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne as revenue over the 15-year period.*

*(d) The convergence difference in accounts receivable arises because GFS does not recognise doubtful receivables, whereas a provision for doubtful receivables is recognised in the balance sheet.*

*(e) Net gain on equity investments in other sector entities includes doubtful receivables, future tax benefits and deferred tax liability of the PNFC and PFC sectors.*

*(f) The convergence difference for the Port of Melbourne lease transaction arises because GFS recognised the transaction as a sale of equity from the general government sector, whereas under Australian Accounting Standards the Port of Melbourne lease transaction has been treated as an operating lease with the leased assets remaining with the PNFC sector.*

*(g) Investments in other sector entities for general government sector includes doubtful receivables, future tax benefits and deferred tax liability of the PNFC and PFC sectors.*

### Financial instruments

Note 7.1 in the *2017-18 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.

AASB 9 *Financial Instruments* supersedes previous versions of the standard (AASB 9 (2014)) and certain parts of AASB 139 *Financial Instruments: Recognition and Measurement*. It applies to annual reporting periods beginning on or after 1 January 2018, with retrospective application. The first applicable annual reporting period for the State will be 2018-19. The initial application of AASB 9 is not expected to significantly impact the State’s financial position.

AASB 9 simplifies the model for classifying and recognising financial assets from four categories into three categories – financial assets as subsequently measured at either amortised cost, and financial assets measured at fair value through profit or loss or through other comprehensive income. AASB 9 adopts an ‘expected loss model’ for impairment assessment, where the expected losses are recognised throughout the life of a loan or other financial asset measured at amortised cost, and not only after a loss event has been identified. The revised standard no longer requires a credit event (e.g. a receivable is past due) to have occurred before recognising credit losses. As a result, impairment losses will be recognised earlier and at more regular intervals than under the ‘incurred loss model’ of AASB 139.

### Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2018‑19 reporting period. These accounting standards have not been applied to the *2018-19* *Budget Update*. The State is reviewing its existing policies and assessing the potential implications. These accounting standards include:

* AASB 15 Revenue from Contracts with Customers, operative for reporting periods commencing 1 January 2019 for not-for-profit entities. The core principle of AASB 15 is to require an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The changes in revenue recognition may result in changes to the timing and amount of revenue recognised. Revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations are satisfied.

In September 2018, AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-profit Sector Licensors* (AASB 2018-4) was released, providing guidance on the application of AASB 15 to the issuing of licences by public sector entities.

* AASB 16 *Leases*, operative for reporting periods beginning from 1 January 2019. The key changes introduced by AASB 16 include the requirement to recognise most operating leases on the balance sheet, which will increase net debt.
* AASB 1058 *Income of Not-for-Profit Entities*, operative for reporting periods commencing 1 January 2019. This standard will replace AASB 1004 *Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.
* AASB 1059 *Service Concession Arrangements: Grantors*, operative for reporting periods commencing 1 January 2020, with early adoption permitted. This standard prescribes the accounting treatment for public private partnership (PPP) arrangements involving a private sector operator providing public services related to a service concession asset on behalf of the State, for a specified period of time. For social infrastructure PPP arrangements, this would result in an earlier recognition of financial liabilities progressively over the construction period rather than at completion date. For economic infrastructure PPP arrangements, that were previously not on the balance sheet, the standard will require recognition of these arrangements on-balance sheet, but will continue to have no impact to net debt consistent with the current accounting treatment.
* AASB 17 *Insurance Contracts*, operative for reporting periods commencing 1 January 2021. This new standard eliminates inconsistencies and weaknesses in existing practices by providing a single principles based framework to account for all types of insurance contracts. It should be noted this standard does not apply to the not‑for‑profit public sector entities. There will be no significant impact expected for the for‑profit entities within State.
* Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on public sector reporting.

### Controlled entities

Note 9.8 Controlled entities in the *2017‑18 Financial Report* for the State of Victoria lists significant controlled entities, which were consolidated in that financial report.

The following are changes in general government sector entities since 1 July 2018, which have also been incorporated in this financial report:

| General government sector | |
| --- | --- |
| Department of Health and Human Services  Family Violence Prevention Agency (a) | **Department of Economic Development,  Jobs, Transport and Resources**  Commercial Passenger Vehicles Victoria (b) |

Notes:

(a) The Family Violence Prevention Agency was established under the Prevention of Family Violence Act 2018 and, by Order of the Governor in Council, commenced on 4 October 2018 and will trade as Respect Victoria.

(b) On 2 June 2018, the Taxi Services Commission changed its name to Commercial Passenger Vehicles Victoria in accordance with the Commercial Passenger Vehicle Industry Act 2017.

Chapter 5 – Supplementary uniform presentation framework tables

Table 5.1 Public non-financial corporations sector comprehensive operating   
statement for the financial year ended 30 June ($ million)

|  | 2018-19 budget | | | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue from transactions** |  | | |  |  |  |  |
| Interest revenue | 109 | | | 117 | 80 | 50 | 32 |
| Dividend revenue | 15 | | | 23 | 23 | 23 | 29 |
| Sales of goods and services | 6 753 | | | 6 441 | 6 679 | 6 784 | 7 140 |
| Grant revenue | 3 752 | | | 3 890 | 3 751 | 3 686 | 3 648 |
| Other revenue | 598 | | | 680 | 672 | 690 | 674 |
| **Total revenue from transactions** | **11 228** | | | **11 151** | **11 205** | **11 233** | **11 524** |
| **Expenses from transactions** |  | | |  |  |  |  |
| Employee expenses | 1 282 | | | 1 342 | 1 377 | 1 402 | 1 440 |
| Net superannuation interest expense | 4 | | | 4 | 4 | 4 | 4 |
| Other superannuation | 123 | | | 129 | 133 | 135 | 141 |
| Depreciation | 2 332 | | | 2 351 | 2 449 | 2 610 | 2 728 |
| Interest expense | 1 048 | | | 1 034 | 1 023 | 1 015 | 995 |
| Grant expense | 413 | | | 440 | 277 | 117 | 115 |
| Other operating expenses | 6 345 | | | 6 187 | 6 160 | 6 358 | 6 589 |
| Other property expenses | 178 | | | 200 | 201 | 198 | 213 |
| **Total expenses from transactions** | **11 726** | | | **11 688** | **11 624** | **11 839** | **12 226** |
| **Net result from transactions –  net operating balance** | **(498)** | | | **(537)** | **(419)** | **(606)** | **(702)** |
| **Other economic flows included in net result** |  | | |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | 37 | | | 51 | 27 | 20 | 61 |
| Other gains/(losses) from other economic flows | 157 | | | 154 | 196 | 227 | 239 |
| **Total other economic flows included in net result** | **194** | | | **206** | **224** | **247** | **301** |
| **Net result** | **(304)** | | | **(332)** | **(196)** | **(359)** | **(401)** |
| **Other economic flows – other comprehensive income** | | |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  | | |  |  |  |  |
| Changes in non-financial assets revaluation surplus | | 817 | | 2 787 | 1 441 | 943 | 6 |
| Other movements in equity | (6) | | | (6) | (3) | (5) | (5) |
| **Items that may be reclassified subsequently to net result** |  | | |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | 8 | | | (9) | 13 | (9) | 1 |
| **Total other economic flows –  other comprehensive income** | **819** | | | **2 773** | **1 451** | **928** | **2** |
| Comprehensive result – total change in net worth | 515 | | | 2 441 | 1 255 | 569 | (399) |

Table 5.1 Public non-financial corporations sector comprehensive operating   
statement for the financial year ended 30 June *(continued)* ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** | **(498)** | **(537)** | **(419)** | **(606)** | **(702)** |
| Less: Net acquisition of non-financial assets from transactions | 6 121 | 5 603 | 4 621 | 2 887 | 1 046 |
| Net lending/(borrowing) | (6 619) | (6 140) | (5 040) | (3 493) | (1 748) |

Source: Department of Treasury and Finance

Table 5.2 Public non-financial corporations sector balance sheet as at 30 June ($ million)

|  | 2019 budget (a) | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 1 090 | 871 | 780 | 740 | 760 |
| Advances paid | 3 549 | 3 791 | 2 109 | 860 | 322 |
| Receivables | 1 896 | 1 824 | 1 811 | 1 793 | 1 807 |
| Investments, loans and placements | 1 173 | 1 084 | 1 083 | 1 080 | 1 038 |
| Investments accounted for using equity method |  |  |  |  |  |
| **Total financial assets** | **7 708** | **7 570** | **5 783** | **4 474** | **3 927** |
| **Non-financial assets** |  |  |  |  |  |
| Inventories | 1 118 | 1 167 | 1 283 | 1 310 | 1 211 |
| Non-financial assets held for sale | 72 | 55 | 55 | 55 | 55 |
| Land, buildings, infrastructure, plant and equipment | 132 995 | 134 384 | 140 667 | 144 774 | 145 933 |
| Other non-financial assets | 1 395 | 1 363 | 1 367 | 1 366 | 1 354 |
| **Total non-financial assets** | **135 580** | **136 969** | **143 373** | **147 505** | **148 553** |
| **Total assets** | **143 288** | **144 539** | **149 156** | **151 979** | **152 479** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 3 994 | 4 233 | 2 563 | 1 311 | 754 |
| Payables | 10 227 | 9 962 | 9 749 | 9 589 | 9 424 |
| Borrowings | 17 373 | 17 353 | 18 050 | 18 529 | 18 796 |
| Employee benefits | 447 | 444 | 447 | 453 | 456 |
| Superannuation | 28 | 30 | 29 | 29 | 29 |
| Other provisions | 7 903 | 7 938 | 7 988 | 8 011 | 7 657 |
| **Total liabilities** | **39 973** | **39 960** | **38 827** | **37 922** | **37 116** |
| **Net assets** | **103 316** | **104 579** | **110 328** | **114 057** | **115 364** |
| Accumulated surplus/(deficit) | 2 833 | 2 758 | 2 356 | 1 813 | 1 245 |
| Reserves | 100 483 | 101 821 | 107 972 | 112 244 | 114 118 |
| **Net worth** | **103 316** | **104 579** | **110 328** | **114 057** | **115 364** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth | (32 264) | (32 390) | (33 045) | (33 447) | (33 189) |
| Net financial liabilities | 32 264 | 32 390 | 33 045 | 33 447 | 33 189 |
| Net debt | 15 555 | 15 840 | 16 642 | 17 160 | 17 430 |

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

Table 5.3 Public non-financial corporations sector cash flow statement for   
the financial year ended 30 June ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Grants | 3 718 | 3 890 | 3 751 | 3 686 | 3 648 |
| Sales of goods and services (a) | 7 133 | 6 768 | 7 084 | 7 269 | 7 644 |
| Interest received | 121 | 140 | 80 | 50 | 32 |
| Dividend receipts | 15 | 22 | 22 | 23 | 29 |
| Other receipts | 340 | 331 | 393 | 411 | 358 |
| **Total receipts** | **11 326** | **11 153** | **11 330** | **11 440** | **11 711** |
| **Payments** |  |  |  |  |  |
| Payments for employees | (1 280) | (1 343) | (1 377) | (1 399) | (1 439) |
| Superannuation | (128) | (132) | (138) | (140) | (145) |
| Interest paid | (1 043) | (1 043) | (1 021) | (1 014) | (993) |
| Grants and subsidies | (72) | (80) | (48) | (37) | (34) |
| Goods and services (a) | (4 699) | (4 551) | (4 409) | (4 570) | (4 822) |
| Other payments | (2 618) | (2 672) | (2 768) | (2 633) | (2 657) |
| **Total payments** | **(9 839)** | **(9 820)** | **(9 761)** | **(9 793)** | **(10 091)** |
| **Net cash flows from operating activities** | **1 487** | **1 332** | **1 569** | **1 647** | **1 620** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non-financial assets** |  |  |  |  |  |
| Purchases of non-financial assets | (3 113) | (3 251) | (2 634) | (2 149) | (1 900) |
| Sales of non-financial assets | 324 | 251 | 308 | 205 | 401 |
| **Net cash flows from investments in non-financial assets** | **(2 789)** | **(3 000)** | **(2 326)** | **(1 945)** | **(1 499)** |
| Net cash flows from investments in financial assets for policy purposes | 1 782 | 1 549 | 1 661 | 1 235 | 533 |
| **Subtotal** | **(1 007)** | **(1 451)** | **(665)** | **(709)** | **(967)** |
| Net cash flows from investment in financial assets for liquidity management purposes | 108 | 188 | 33 | 1 | 43 |
| **Net cash flows from investing activities** | **(900)** | **(1 263)** | **(632)** | **(709)** | **(923)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) | (1 788) | (1 553) | (1 666) | (1 248) | (557) |
| Net borrowings | 929 | 914 | 697 | 479 | 267 |
| Deposits received (net) | (4) | (2) | (3) | (4) | (1) |
| Other financing (net) | (52) | 23 | (55) | (205) | (386) |
| **Net cash flows from financing activities** | **(916)** | **(617)** | **(1 028)** | **(978)** | **(678)** |
| **Net increase/(decrease) in cash and  cash equivalents** | **(329)** | **(548)** | **(91)** | **(39)** | **19** |
| Cash and cash equivalents at beginning of reporting period (b) | 1 419 | 1 419 | 871 | 780 | 740 |
| Cash and cash equivalents at end of reporting period (b) | 1 090 | 871 | 780 | 740 | 760 |

Table 5.3 Public non-financial corporations sector cash flow statement for   
the financial year ended 30 June *(continued)* ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities | 1 487 | 1 332 | 1 569 | 1 647 | 1 620 |
| Dividends paid | (160) | (205) | (183) | (165) | (141) |
| Net cash flows from investments in non-financial assets | (2 789) | (3 000) | (2 326) | (1 945) | (1 499) |
| Cash surplus/(deficit) | (1 462) | (1 872) | (940) | (463) | (20) |

Source: Department of Treasury and Finance

Notes:

(a) Inclusive of goods and services tax.

(b) 2018-19 Budget figures have been restated to represent actual opening balances at 1 July 2018.

Table 5.4 Public non-financial corporations sector statement of   
changes in equity for the financial year ended 30 June ($ million)

|  | Accumulated surplus/(deficit) | Contributions by owners |
| --- | --- | --- |
| **2018-19 budget (a)** |  |  |
| Balance at 1 July 2018 | 3 333 | 59 478 |
| Net result for the year | (304) | .. |
| Other comprehensive income for the year (b) | (36) | .. |
| Dividends paid | (160) | .. |
| Transactions with owners in their capacity as owners | .. | 5 749 |
| **Total equity as at 30 June 2019** | **2 833** | **65 227** |
| **2018-19 revised** |  |  |
| Balance at 1 July 2018 | 3 333 | 59 478 |
| Net result for the year | (332) | .. |
| Other comprehensive income for the year | (38) | .. |
| Dividends paid | (205) | .. |
| Transactions with owners in their capacity as owners | .. | 5 130 |
| **Total equity as at 30 June 2019** | **2 758** | **64 609** |
| **2019-20 estimate** |  |  |
| Balance at 1 July 2019 | 2 758 | 64 609 |
| Net result for the year | (196) | .. |
| Other comprehensive income for the year | (23) | .. |
| Dividends paid | (183) | .. |
| Transactions with owners in their capacity as owners | .. | 4 678 |
| **Total equity as at 30 June 2020** | **2 356** | **69 286** |
| **2020-21 estimate** |  |  |
| Balance at 1 July 2020 | 2 356 | 69 286 |
| Net result for the year | (359) | .. |
| Other comprehensive income for the year | (18) | .. |
| Dividends paid | (165) | .. |
| Transactions with owners in their capacity as owners | .. | 3 325 |
| **Total equity as at 30 June 2021** | **1 813** | **72 611** |
| **2021-22 estimate** |  |  |
| Balance at 1 July 2021 | 1 813 | 72 611 |
| Net result for the year | (401) | .. |
| Other comprehensive income for the year | (26) | .. |
| Dividends paid | (141) | .. |
| Transactions with owners in their capacity as owners | .. | 1 846 |
| Total equity as at 30 June 2022 | 1 245 | 74 458 |

Source: Department of Treasury and Finance

Notes:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

(b) 2018-19 Budget figures have been updated to reflect more current information.

| Non-financial assets  revaluation surplus | Other reserves | Total |
| --- | --- | --- |
|  |  |  |
| 33 851 | 549 | 97 212 |
| .. | .. | (304) |
| 817 | 37 | 819 |
| .. | .. | (160) |
| .. | .. | 5 749 |
| **34 669** | **587** | **103 316** |
|  |  |  |
| 33 851 | 549 | 97 212 |
| .. | .. | (332) |
| 2 787 | 24 | 2 773 |
| .. | .. | (205) |
| .. | .. | 5 130 |
| **36 639** | **573** | **104 579** |
|  |  |  |
| 36 639 | 573 | 104 579 |
| .. | .. | (196) |
| 1 441 | 33 | 1 451 |
| .. | .. | (183) |
| .. | .. | 4 678 |
| **38 080** | **606** | **110 328** |
|  |  |  |
| 38 080 | 606 | 110 328 |
| .. | .. | (359) |
| 943 | 4 | 928 |
| .. | .. | (165) |
| .. | .. | 3 325 |
| **39 023** | **610** | **114 057** |
|  |  |  |
| 39 023 | 610 | 114 057 |
| .. | .. | (401) |
| 6 | 22 | 2 |
| .. | .. | (141) |
| .. | .. | 1 846 |
| 39 029 | 631 | 115 364 |

Table 5.5 Net acquisition of non-financial assets –   
public non-financial corporations sector ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Purchases of non-financial assets  (including change in inventories) | 3 113 | 3 237 | 2 635 | 2 150 | 1 900 |
| Less: Sales of non-financial assets | (324) | (251) | (308) | (205) | (401) |
| Less: Depreciation and amortisation | (2 332) | (2 351) | (2 449) | (2 610) | (2 728) |
| Plus: Other movements in non-financial assets (a) | 5 664 | 4 968 | 4 743 | 3 551 | 2 275 |
| Total net acquisition of non-financial assets from transactions | 6 121 | 5 603 | 4 621 | 2 887 | 1 046 |

Source: Department of Treasury and Finance

Note:

(a) The other movements in non-financial assets include fixed asset transfers from the general government sector to the public non‑financial corporations sector.

Table 5.6 Non-financial public sector comprehensive operating statement   
for the financial year ended 30 June ($ million)

|  | 2018-19 budget | | | | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue from transactions** |  | | | |  |  |  |  |
| Taxation revenue | 23 653 | | | | 23 649 | 24 600 | 25 524 | 26 789 |
| Interest revenue | 363 | | | | 320 | 323 | 332 | 344 |
| Dividends, income tax equivalent and rate equivalent revenue | 584 | | | | 716 | 218 | 255 | 245 |
| Sales of goods and services | 11 428 | | | | 11 378 | 12 355 | 12 692 | 13 184 |
| Grant revenue | 33 454 | | | | 33 516 | 33 699 | 34 687 | 35 943 |
| Other revenue | 3 220 | | | | 3 261 | 3 212 | 3 291 | 3 333 |
| **Total revenue from transactions** | **72 702** | | | | **72 840** | **74 406** | **76 781** | **79 838** |
| **Expenses from transactions** |  | | | |  |  |  |  |
| Employee expenses | 26 779 | | | | 26 264 | 27 756 | 28 830 | 29 936 |
| Net superannuation interest expense | 667 | | | | 692 | 643 | 614 | 585 |
| Other superannuation | 2 799 | | | | 2 879 | 2 935 | 3 008 | 3 132 |
| Depreciation | 5 208 | | | | 5 271 | 5 482 | 5 941 | 6 255 |
| Interest expense | 2 604 | | | | 2 508 | 2 612 | 2 747 | 2 815 |
| Grant expense | 9 406 | | | | 9 128 | 10 365 | 10 388 | 10 828 |
| Other operating expenses | 24 532 | | | | 24 602 | 23 493 | 23 348 | 24 144 |
| Other property expenses |  | | | |  |  |  |  |
| **Total expenses from transactions** | **71 995** | | | | **71 346** | **73 286** | **74 877** | **77 694** |
| **Net result from transactions – net operating balance** | | **706** | | | **1 495** | **1 120** | **1 904** | **2 144** |
| **Other economic flows included in net result** |  | | | |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | 113 | | | | 141 | 104 | 72 | 112 |
| Net gain/(loss) on financial assets or liabilities at  fair value | 27 | | | | 25 | 26 | 26 | 27 |
| Other gains/(losses) from other economic flows | (421) | | | | (422) | (434) | (430) | (439) |
| **Total other economic flows included in net result** | **(280)** | | | | **(257)** | **(303)** | **(331)** | **(300)** |
| **Net result** | **426** | | | | **1 238** | **817** | **1 573** | **1 845** |
| **Other economic flows – other comprehensive income** | | |  | |  |  |  |  |
| **Items that will not be reclassified to net result** |  | | | |  |  |  |  |
| Changes in non-financial assets revaluation surplus | 1 504 | | | | 3 485 | 8 668 | 2 748 | 3 804 |
| Remeasurement of superannuation defined benefit plans | 1 014 | | | | 1 996 | 1 053 | 1 074 | 1 094 |
| Other movements in equity | (21) | | | | (25) | (1) | (11) | 15 |
| **Items that may be reclassified subsequently to net result** | | | |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | 9 | | | | (7) | 15 | (8) | 2 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | (320) | | | | (215) | 80 | 131 | 16 |
| **Total other economic flows –  other comprehensive income** | **2 187** | | | | **5 235** | **9 815** | **3 934** | **4 931** |
| **Comprehensive result – total change in net worth** | **2 613** | | | | **6 473** | **10 632** | **5 507** | **6 775** |
|  |  | | | |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  | | | |  |  |  |  |
| **Net operating balance** | **706** | | | | **1 495** | **1 120** | **1 904** | **2 144** |
| Less: Net acquisition of non-financial assets from transactions | 8 041 | | | | 7 628 | 7 700 | 5 232 | 2 961 |
| Net lending/(borrowing) | (7 335) | | | | (6 133) | (6 580) | (3 327) | (816) |

Source: Department of Treasury and Finance

Table 5.7 Non-financial public sector balance sheet as at 30 June ($ million)

|  | 2019 budget (a) | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 7 415 | 5 050 | 5 062 | 5 025 | 5 024 |
| Advances paid | 504 | 504 | 361 | 354 | 402 |
| Receivables | 7 935 | 7 831 | 8 001 | 8 335 | 8 728 |
| Investments, loans and placements | 5 370 | 5 289 | 5 790 | 6 042 | 6 291 |
| Investments accounted for using equity method | 53 | 53 | 53 | 53 | 53 |
| Investments in other sector entities | 3 723 | 3 829 | 2 759 | 1 769 | 1 785 |
| **Total financial assets** | **24 999** | **22 556** | **22 025** | **21 579** | **22 284** |
| **Non-financial assets** |  |  |  |  |  |
| Inventories | 1 296 | 1 354 | 1 478 | 1 509 | 1 414 |
| Non-financial assets held for sale | 463 | 446 | 447 | 448 | 449 |
| Land, buildings, infrastructure, plant  and equipment | 269 796 | 271 105 | 286 343 | 292 832 | 298 548 |
| Other non-financial assets | 3 035 | 3 199 | 4 237 | 5 647 | 6 341 |
| **Total non-financial assets** | **274 591** | **276 103** | **292 505** | **300 435** | **306 752** |
| **Total assets** | **299 590** | **298 659** | **314 530** | **322 014** | **329 036** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 1 322 | 1 320 | 1 367 | 1 358 | 1 313 |
| Payables | 18 407 | 19 010 | 18 536 | 18 047 | 16 958 |
| Borrowings | 52 236 | 47 873 | 54 283 | 57 520 | 59 576 |
| Employee benefits | 7 819 | 7 763 | 8 078 | 8 378 | 8 683 |
| Superannuation | 24 192 | 23 298 | 22 249 | 21 168 | 20 156 |
| Other provisions | 1 097 | 1 019 | 1 010 | 1 028 | 1 060 |
| **Total liabilities** | **105 074** | **100 283** | **105 522** | **107 500** | **107 746** |
| **Net assets** | **194 516** | **198 376** | **209 008** | **214 515** | **221 290** |
| Accumulated surplus/(deficit) | 79 147 | 80 934 | 82 785 | 85 410 | 88 342 |
| Reserves | 115 369 | 117 442 | 126 223 | 129 105 | 132 948 |
| **Net worth** | **194 516** | **198 376** | **209 008** | **214 515** | **221 290** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth | (80 075) | (77 728) | (83 497) | (85 920) | (85 462) |
| Net financial liabilities | 83 798 | 81 557 | 86 256 | 87 690 | 87 247 |
| Net debt | 40 270 | 38 351 | 44 437 | 47 457 | 49 171 |

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

Table 5.8 Non-financial public sector cash flow statement for the   
financial year ended 30 June ($ million)

|  | 2018-19 budget | | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| **Cash flows from operating activities** |  | |  |  |  |  |
| **Receipts** |  | |  |  |  |  |
| Taxes received | 23 479 | | 23 477 | 24 386 | 25 140 | 26 381 |
| Grants | 33 449 | | 33 516 | 33 699 | 34 687 | 35 943 |
| Sales of goods and services (a) | 14 423 | | 15 351 | 13 478 | 13 884 | 14 375 |
| Interest received | 374 | | 324 | 323 | 332 | 344 |
| Dividends, income tax equivalent and  rate equivalent receipts | 530 | | 662 | 216 | 254 | 244 |
| Other receipts | 2 524 | | 2 460 | 2 492 | 2 582 | 2 593 |
| **Total receipts** | **74 779** | | **75 790** | **74 594** | **76 879** | **79 880** |
| **Payments** |  | |  |  |  |  |
| Payments for employees | (26 428) | | (25 968) | (27 447) | (28 535) | (29 637) |
| Superannuation | (3 492) | | (3 510) | (3 574) | (3 629) | (3 636) |
| Interest paid | (2 562) | | (2 457) | (2 574) | (2 709) | (2 776) |
| Grants and subsidies | (9 474) | | (9 437) | (11 485) | (11 923) | (11 623) |
| Goods and services (a) | (25 145) | | (25 403) | (24 190) | (24 019) | (25 008) |
| Other payments | (793) | | (784) | (810) | (846) | (808) |
| **Total payments** | **(67 894)** | | **(67 560)** | **(70 081)** | **(71 661)** | **(73 488)** |
| **Net cash flows from operating activities** | **6 885** | | **8 230** | **4 514** | **5 218** | **6 392** |
| **Cash flows from investing activities** |  | |  |  |  |  |
| **Cash flows from investments in non-financial assets** | |  |  |  |  |  |
| Purchases of non-financial assets | (13 204) | | (12 555) | (11 475) | (9 427) | (8 443) |
| Sales of non-financial assets | 692 | | 617 | 725 | 595 | 747 |
| **Net cash flows from investments in  non-financial assets** | **(12 512)** | | **(11 938)** | **(10 750)** | **(8 833)** | **(7 696)** |
| Net cash flows from investments in financial assets for policy purposes | (162) | | (147) | 1 291 | 1 115 | (33) |
| **Subtotal** | **(12 673)** | | **(12 085)** | **(9 459)** | **(7 718)** | **(7 730)** |
| Net cash flows from investment in financial assets for liquidity management purposes | (125) | | (63) | (427) | (213) | (207) |
| **Net cash flows from investing activities** | **(12 799)** | | **(12 148)** | **(9 886)** | **(7 931)** | **(7 936)** |
| **Cash flows from financing activities** |  | |  |  |  |  |
| Advances received (net) | (244) | | (244) | 50 | (5) | (44) |
| Net borrowings | 5 901 | | 1 543 | 5 337 | 2 686 | 1 588 |
| Deposits received (net) | (4) | | (6) | (3) | (3) | (1) |
| **Net cash flows from financing activities** | **5 653** | | **1 293** | **5 384** | **2 677** | **1 543** |
| **Net increase/(decrease) in cash and cash equivalents** | **(261)** | | **(2 625)** | **12** | **(36)** | **(1)** |
| Cash and cash equivalents at beginning of  reporting period (b) | 7 676 | | 7 676 | 5 050 | 5 062 | 5 025 |
| **Cash and cash equivalents at end of  reporting period (b)** | **7 415** | | **5 050** | **5 062** | **5 025** | **5 024** |
|  |  | |  |  |  |  |
| **FISCAL AGGREGATES** |  | |  |  |  |  |
| Net cash flows from operating activities | 6 885 | | 8 230 | 4 514 | 5 218 | 6 392 |
| Net cash flows from investments in  non-financial assets | (12 512) | | (11 938) | (10 750) | (8 833) | (7 696) |
| Cash surplus/(deficit) | (5 627) | | (3 709) | (6 237) | (3 614) | (1 304) |

Source: Department of Treasury and Finance

Notes:

(a) Inclusive of goods and services tax.

(b) 2018-19 Budget figures have been restated to represent actual opening balances at 1 July 2018.

Table 5.9 Non-financial public sector statement of changes in equity for the   
financial year ended 30 June ($ million)

|  | Accumulated surplus/(deficit) | Non-financial assets revaluation surplus |
| --- | --- | --- |
| **2018-19 budget (a)** |  |  |
| Balance at 1 July 2018 | 77 744 | 108 120 |
| Net result for the year | 426 | .. |
| Other comprehensive income for the year (b) | 977 | 1 504 |
| **Total equity as at 30 June 2019** | **79 147** | **109 624** |
| **2018-19 revised** |  |  |
| Balance at 1 July 2018 | 77 744 | 108 120 |
| Net result for the year | 1 238 | .. |
| Other comprehensive income for the year | 1 952 | 3 485 |
| **Total equity as at 30 June 2019** | **80 934** | **111 605** |
| **2019-20 estimate** |  |  |
| Balance at 1 July 2019 | 80 934 | 111 605 |
| Net result for the year | 817 | .. |
| Other comprehensive income for the year | 1 034 | 8 668 |
| **Total equity as at 30 June 2020** | **82 785** | **120 273** |
| **2020-21 estimate** |  |  |
| Balance at 1 July 2020 | 82 785 | 120 273 |
| Net result for the year | 1 573 | .. |
| Other comprehensive income for the year | 1 052 | 2 748 |
| **Total equity as at 30 June 2021** | **85 410** | **123 021** |
| **2021-22 estimate** |  |  |
| Balance at 1 July 2021 | 85 410 | 123 021 |
| Net result for the year | 1 845 | .. |
| Other comprehensive income for the year | 1 088 | 3 804 |
| Total equity as at 30 June 2022 | 88 342 | 126 825 |

Source: Department of Treasury and Finance

Notes:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

(b) 2018-19 Budget figures have been updated to reflect more current information.

| Investment in other sector  entities revaluation surplus | Other reserves | Total |
| --- | --- | --- |
|  |  |  |
| 4 382 | 1 657 | 191 903 |
| .. | .. | 426 |
| (320) | 26 | 2 187 |
| **4 062** | **1 683** | **194 516** |
|  |  |  |
| 4 382 | 1 657 | 191 903 |
| .. | .. | 1 238 |
| (215) | 12 | 5 235 |
| **4 168** | **1 669** | **198 376** |
|  |  |  |
| 4 168 | 1 669 | 198 376 |
| .. | .. | 817 |
| 80 | 33 | 9 815 |
| **4 247** | **1 702** | **209 008** |
|  |  |  |
| 4 247 | 1 702 | 209 008 |
| .. | .. | 1 573 |
| 131 | 3 | 3 934 |
| **4 378** | **1 706** | **214 515** |
|  |  |  |
| 4 378 | 1 706 | 214 515 |
| .. | .. | 1 845 |
| 16 | 23 | 4 931 |
| 4 394 | 1 729 | 221 290 |

Table 5.10 Net acquisition of non-financial assets – non-financial public sector

**($ million)**

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Purchases of non-financial assets  (including change in inventories) | 13 208 | 12 546 | 11 479 | 9 432 | 8 448 |
| Less: Sales of non-financial assets | (692) | (617) | (725) | (595) | (747) |
| Less: Depreciation and amortisation | (5 208) | (5 271) | (5 482) | (5 941) | (6 255) |
| Plus: Other movements in non-financial assets (a) | 733 | 970 | 2 427 | 2 335 | 1 515 |
| Total net acquisition of non-financial assets from transactions | 8 041 | 7 628 | 7 700 | 5 232 | 2 961 |

Source: Department of Treasury and Finance

Note:

(a) The other movements in non-financial assets across the forward estimates predominantly relates to finance leases for the High Capacity Metro Trains Project, the Western Roads Upgrade, the Casey Hospital Expansion, the Northern Roads Upgrade and the South Eastern Roads Upgrade.

Table 5.11 Public financial corporations sector comprehensive operating   
statement for the financial year ended 30 June ($ million)

|  | 2018-19 budget | | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| **Revenue from transactions** |  | |  |  |  |  |
| Interest revenue | 1 922 | | 1 854 | 1 960 | 2 081 | 2 176 |
| Dividend revenue | 1 405 | | 1 607 | 1 505 | 1 819 | 1 862 |
| Sales of goods and services | 4 776 | | 4 807 | 5 022 | 5 262 | 5 514 |
| Grant revenue |  | |  |  |  |  |
| Other revenue | 25 | | 20 | 21 | 26 | 27 |
| **Total revenue from transactions** | **8 128** | | **8 288** | **8 509** | **9 188** | **9 580** |
| **Expenses from transactions** |  | |  |  |  |  |
| Employee expenses | 375 | | 384 | 381 | 387 | 395 |
| Other superannuation | 26 | | 30 | 30 | 30 | 31 |
| Depreciation | 45 | | 44 | 58 | 84 | 116 |
| Interest expense | 1 768 | | 1 718 | 1 813 | 1 892 | 1 965 |
| Grant expense | 731 | | 1 001 | 799 | 633 | 686 |
| Other operating expenses | 6 924 | | 7 122 | 7 585 | 7 892 | 8 331 |
| Other property expenses | 31 | | 111 | 22 | 53 | 23 |
| **Total expenses from transactions** | **9 900** | | **10 409** | **10 687** | **10 971** | **11 545** |
| **Net result from transactions –  net operating balance (a)** | **(1 772)** | | **(2 121)** | **(2 179)** | **(1 783)** | **(1 966)** |
| **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 | 539 | | 960 | 576 | 658 | 632 |
| Other gains/(losses) from other economic flows | 905 | | 1 089 | 1 063 | 959 | 984 |
| **Total other economic flows included in net result** | **1 444** | | **2 049** | **1 639** | **1 618** | **1 615** |
| **Net result** | **(328)** | | **(72)** | **(539)** | **(165)** | **(350)** |
| **Other economic flows – other comprehensive income** | |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  | |  |  |  |  |
| Other movements in equity | 1 | | .. | .. | .. | .. |
| **Total other economic flows –  other comprehensive income** | **1** | | **..** | **..** | **..** | **..** |
| **Comprehensive result – total change in net worth** | **(327)** | | **(72)** | **(540)** | **(166)** | **(351)** |
|  |  | |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  | |  |  |  |  |
| **Net operating balance** | **(1 772)** | | **(2 121)** | **(2 179)** | **(1 783)** | **(1 966)** |
| Less: Net acquisition of non-financial assets from transactions | 75 | | 89 | 120 | 122 | 1 |
| Net lending/(borrowing) | (1 848) | | (2 210) | (2 299) | (1 905) | (1 967) |

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 more meaningfully reflects the underlying operating and performance of the public financial corporations sector than the net result from transactions.

Table 5.12 Public financial corporations sector balance sheet as at 30 June ($ million)

|  | 2019 budget (a) | | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| **Assets** |  | |  |  |  |  |
| **Financial assets** |  | |  |  |  |  |
| Cash and deposits | 5 645 | | 3 052 | 3 148 | 3 238 | 3 246 |
| Advances paid | 19 | | 12 | 12 | 12 | 12 |
| Receivables | 1 493 | | 1 367 | 1 449 | 1 363 | 1 425 |
| Investments, loans and placements | 38 207 | | 37 946 | 37 273 | 37 568 | 39 078 |
| Loans receivable from non-financial public sector (b) | | 39 917 | 37 278 | 42 992 | 45 928 | 47 890 |
| Investments in other sector entities |  | |  |  |  |  |
| **Total financial assets** | **85 281** | | **79 655** | **84 875** | **88 110** | **91 651** |
| **Non-financial assets** |  | |  |  |  |  |
| Land, buildings, infrastructure, plant and equipment | 195 | | 114 | 125 | 138 | 146 |
| Other non-financial assets | 956 | | 1 047 | 1 325 | 1 454 | 1 453 |
| **Total non-financial assets** | **1 151** | | **1 161** | **1 450** | **1 592** | **1 599** |
| **Total assets** | **86 432** | | **80 816** | **86 324** | **89 701** | **93 250** |
| **Liabilities** |  | |  |  |  |  |
| Deposits held and advances received | 7 003 | | 4 642 | 4 324 | 4 182 | 4 154 |
| Payables | 2 035 | | 1 824 | 1 816 | 1 806 | 1 800 |
| Borrowings (c) | 44 816 | | 41 582 | 47 296 | 50 232 | 52 195 |
| Employee benefits | 112 | | 97 | 100 | 103 | 106 |
| Other provisions | 32 549 | | 32 503 | 34 374 | 36 330 | 38 394 |
| **Total liabilities** | **86 515** | | **80 647** | **87 910** | **92 653** | **96 649** |
| **Net assets (d)** | **(83)** | | **169** | **(1 586)** | **(2 952)** | **(3 399)** |
| Accumulated surplus/(deficit) | (150) | | 100 | (1 625) | (2 991) | (3 438) |
| Reserves | 68 | | 69 | 39 | 39 | 39 |
| **Net worth (d)** | **(83)** | | **169** | **(1 586)** | **(2 952)** | **(3 399)** |
|  |  | |  |  |  |  |
| **FISCAL AGGREGATES** |  | |  |  |  |  |
| Net financial worth | (1 234) | | (992) | (3 035) | (4 544) | (4 998) |
| Net financial liabilities | 1 234 | | 992 | 3 035 | 4 544 | 4 998 |
| Net debt | (31 969) | | (32 065) | (31 806) | (32 332) | (33 876) |

Source: Department of Treasury and Finance

Notes:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

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

(c) Borrowings with the private sector are at market value.

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

Table 5.13 Public financial corporations sector cash flow statement for   
the financial year ended 30 June ($ million)

|  | 2018-19 budget | | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| **Cash flows from operating activities** |  | |  |  |  |  |
| **Receipts** |  | |  |  |  |  |
| Grants |  | |  |  |  |  |
| Sales of goods and services (a) | 5 292 | | 5 247 | 5 503 | 5 771 | 6 049 |
| Interest received | 1 862 | | 1 794 | 1 900 | 2 021 | 2 116 |
| Dividend receipts | 1 405 | | 1 607 | 1 505 | 1 819 | 1 862 |
| Other receipts | 34 | | 61 | 29 | 56 | 30 |
| **Total receipts** | **8 592** | | **8 708** | **8 937** | **9 667** | **10 057** |
| **Payments** |  | |  |  |  |  |
| Payments for employees | (373) | | (397) | (377) | (385) | (392) |
| Superannuation | (26) | | (30) | (30) | (30) | (31) |
| Interest paid | (1 822) | | (1 786) | (1 865) | (1 943) | (2 015) |
| Grants and subsidies | (731) | | (1 001) | (822) | (633) | (686) |
| Goods and services (a) | (4 924) | | (5 096) | (5 384) | (5 581) | (5 917) |
| Other payments | (18) | | (91) | (22) | (41) | (9) |
| **Total payments** | **(7 893)** | | **(8 399)** | **(8 500)** | **(8 613)** | **(9 050)** |
| **Net cash flows from operating activities** | **699** | | **309** | **437** | **1 054** | **1 007** |
| **Cash flows from investing activities** |  | |  |  |  |  |
| **Cash flows from investments in non-financial assets** | |  |  |  |  |  |
| Purchases of non-financial assets | (121) | | (133) | (178) | (206) | (118) |
| Sales of non-financial assets | 1 | | 1 | 1 | 1 | 1 |
| **Net cash flows from investments in non-financial assets** | **(121)** | | **(132)** | **(178)** | **(206)** | **(118)** |
| Net cash flows from investments in financial assets for policy purposes | (1) | | 6 | (1) | (1) | 1 |
| **Subtotal** | **(121)** | | **(126)** | **(179)** | **(207)** | **(117)** |
| Net cash flows from investment in financial assets for liquidity management purposes | (4 723) | | (1 949) | (4 403) | (2 411) | (2 779) |
| **Net cash flows from investing activities** | **(4 844)** | | **(2 075)** | **(4 582)** | **(2 618)** | **(2 895)** |
| **Cash flows from financing activities** |  | |  |  |  |  |
| Advances received (net) | 1 | | (12) | 1 | 1 | .. |
| Net borrowings | 5 384 | | 2 776 | 5 773 | 2 995 | 2 021 |
| Deposits received (net) | (641) | | (2 988) | (318) | (143) | (27) |
| Other financing (net) | (507) | | (511) | (1 215) | (1 201) | (96) |
| **Net cash flows from financing activities** | **4 237** | | **(736)** | **4 241** | **1 653** | **1 897** |
| **Net increase/(decrease) in cash and cash equivalents** | **92** | | **(2 502)** | **96** | **90** | **8** |
| Cash and cash equivalents at beginning of  reporting period (b) | 5 554 | | 5 554 | 3 052 | 3 148 | 3 238 |
| **Cash and cash equivalents at end of  reporting period (b)** | **5 645** | | **3 052** | **3 148** | **3 238** | **3 246** |
|  |  | |  |  |  |  |
| **FISCAL AGGREGATES** |  | |  |  |  |  |
| Net cash flows from operating activities | 699 | | 309 | 437 | 1 054 | 1 007 |
| Dividends paid | (507) | | (511) | (65) | (81) | (96) |
| Net cash flows from investments in non-financial assets | (121) | | (132) | (178) | (206) | (118) |
| Cash surplus/(deficit) | 71 | | (334) | 194 | 768 | 793 |

Source: Department of Treasury and Finance

Notes:

(a) Inclusive of goods and services tax.

(b) 2018-19 Budget figures have been restated to represent actual opening balances at 1 July 2018.

Table 5.14 Public financial corporations sector statement of changes in equity   
for the financial year ended 30 June ($ million)

|  | Accumulated surplus/(deficit) | Contributions  by owners |
| --- | --- | --- |
| **2018-19 budget (a)** |  |  |
| Balance at 1 July 2018 | 684 | 29 |
| Net result for the year | (328) | .. |
| Other comprehensive income for the year | .. | .. |
| Dividends paid | (507) | .. |
| Transfer to/(from) accumulated surplus |  |  |
| Transactions with owners in their capacity as owners |  |  |
| **Total equity as at 30 June 2019** | **(150)** | **29** |
| **2018-19 revised** |  |  |
| Balance at 1 July 2018 | 683 | 29 |
| Net result for the year | (72) | .. |
| Other comprehensive income for the year | .. | .. |
| Dividends paid | (511) | .. |
| Transfer to/(from) accumulated surplus |  |  |
| Transactions with owners in their capacity as owners |  |  |
| **Total equity as at 30 June 2019** | **100** | **29** |
| **2019-20 estimate** |  |  |
| Balance at 1 July 2019 | 100 | 29 |
| Net result for the year | (539) | .. |
| Other comprehensive income for the year | .. | .. |
| Dividends paid | (65) | .. |
| Transfer to/(from) accumulated surplus | (1 120) | 1 120 |
| Transactions with owners in their capacity as owners | .. | (1 150) |
| **Total equity as at 30 June 2020** | **(1 625)** | **..** |
| **2020-21 estimate** |  |  |
| Balance at 1 July 2020 | (1 625) | .. |
| Net result for the year | (165) | .. |
| Other comprehensive income for the year | .. | .. |
| Dividends paid | (81) | .. |
| Transfer to/(from) accumulated surplus | (1 120) | 1 120 |
| Transactions with owners in their capacity as owners | .. | (1 120) |
| **Total equity as at 30 June 2021** | **(2 991)** | **..** |
| **2021-22 estimate** |  |  |
| Balance at 1 July 2021 | (2 991) | .. |
| Net result for the year | (350) | .. |
| Other comprehensive income for the year | .. | .. |
| Dividends paid | (96) | .. |
| Transfer to/(from) accumulated surplus |  |  |
| Transactions with owners in their capacity as owners |  |  |
| Total equity as at 30 June 2022 | (3 438) | .. |

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

| Non-financial assets  revaluation surplus | Other reserves | Total |
| --- | --- | --- |
|  |  |  |
| 2 | 36 | 751 |
| .. | .. | (328) |
| .. | .. | 1 |
| .. | .. | (507) |
|  |  |  |
|  |  |  |
| **2** | **37** | **(83)** |
|  |  |  |
| 2 | 36 | 751 |
| .. | .. | (72) |
| .. | .. | .. |
| .. | .. | (511) |
|  |  |  |
|  |  |  |
| **2** | **36** | **169** |
|  |  |  |
| 2 | 36 | 169 |
| .. | .. | (539) |
| .. | .. | .. |
| .. | .. | (65) |
| .. | .. | .. |
| .. | .. | (1 150) |
| **2** | **36** | **(1 586)** |
|  |  |  |
| 2 | 36 | (1 586) |
| .. | .. | (165) |
| .. | .. | .. |
| .. | .. | (81) |
| .. | .. | .. |
| .. | .. | (1 120) |
| **2** | **36** | **(2 952)** |
|  |  |  |
| 2 | 36 | (2 952) |
| .. | .. | (350) |
| .. | .. | .. |
| .. | .. | (96) |
|  |  |  |
|  |  |  |
| 2 | 37 | (3 399) |

Table 5.15 Net acquisition of non-financial assets – public financial corporations sector  
 ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Purchases of non-financial assets less sale of  non-financial asset (including change in inventories) | 121 | 132 | 178 | 206 | 118 |
| Less: Depreciation and amortisation | (45) | (44) | (58) | (84) | (116) |
| Plus: Other movements in non-financial assets |  |  |  |  |  |
| Total net acquisition of non-financial assets from transactions | 75 | 89 | 120 | 122 | 1 |

Source: Department of Treasury and Finance

Table 5.16 State of Victoria operating statement for the financial year ended 30 June

($ million)

|  | 2018-19 budget | | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| **Revenue from transactions** |  | |  |  |  |  |
| Taxation revenue | 23 636 | | 23 634 | 24 584 | 25 508 | 26 772 |
| Interest revenue | 535 | | 517 | 527 | 570 | 605 |
| Dividend revenue | 1 451 | | 1 708 | 1 635 | 1 951 | 2 001 |
| Sales of goods and services | 15 296 | | 15 286 | 16 439 | 16 972 | 17 668 |
| Grant revenue | 32 735 | | 32 525 | 32 912 | 34 068 | 35 271 |
| Other revenue | 3 246 | | 3 281 | 3 233 | 3 317 | 3 361 |
| **Total revenue from transactions** | **76 899** | | **76 951** | **79 330** | **82 387** | **85 679** |
| **Expenses from transactions** |  | |  |  |  |  |
| Employee expenses | 26 752 | | 26 246 | 27 725 | 28 794 | 29 897 |
| Net superannuation interest expense | 667 | | 692 | 643 | 614 | 585 |
| Other superannuation | 2 826 | | 2 909 | 2 965 | 3 039 | 3 163 |
| Depreciation | 5 253 | | 5 315 | 5 540 | 6 025 | 6 371 |
| Interest expense | 2 622 | | 2 569 | 2 670 | 2 797 | 2 864 |
| Grant expense | 9 423 | | 9 143 | 10 380 | 10 404 | 10 844 |
| Other operating expenses | 30 921 | | 31 199 | 30 516 | 30 595 | 31 882 |
| Other property expenses |  | |  |  |  |  |
| **Total expenses from transactions** | **78 464** | | **78 074** | **80 439** | **82 267** | **85 606** |
| **Net result from transactions –  net operating balance** | **(1 565)** | | **(1 123)** | **(1 109)** | **120** | **73** |
| **Other economic flows included in net result** |  | |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | 113 | | 141 | 104 | 72 | 112 |
| Net gain/(loss) on financial assets or liabilities at  fair value | 566 | | 985 | 603 | 684 | 659 |
| Other gains/(losses) from other economic flows | 395 | | 595 | 455 | 493 | 521 |
| **Total other economic flows included in net result** | | **1 074** | **1 721** | **1 162** | **1 249** | **1 292** |
| **Net result** | **(491)** | | **598** | **53** | **1 369** | **1 364** |
| **Other economic flows –  other comprehensive income** |  | |  |  |  |  |
| **Items that will not be reclassified to net result** |  | |  |  |  |  |
| Changes in non-financial assets revaluation surplus | 1 504 | | 3 485 | 8 668 | 2 748 | 3 804 |
| Remeasurement of superannuation defined benefit plans | 1 014 | | 1 996 | 1 053 | 1 074 | 1 094 |
| Other movements in equity | (20) | | (25) | (1) | (11) | 15 |
| **Items that may be reclassified subsequently to  net result** |  | |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | 9 | | (7) | 15 | (8) | 2 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | .. | | .. | .. | .. | .. |
| **Total other economic flows – other comprehensive income** | **2 508** | | **5 449** | **9 736** | **3 803** | **4 914** |
| **Comprehensive result – total change in net worth** | **2 017** | | **6 048** | **9 788** | **5 172** | **6 279** |
|  |  | |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  | |  |  |  |  |
| **Net operating balance** | **(1 565)** | | **(1 123)** | **(1 109)** | **120** | **73** |
| Less: Net acquisition of non-financial assets from transactions | 8 117 | | 7 716 | 7 820 | 5 353 | 2 962 |
| Net lending/(borrowing) | (9 682) | | (8 839) | (8 929) | (5 234) | (2 890) |

Source: Department of Treasury and Finance

Table 5.17 State of Victoria balance sheet as at 30 June ($ million)

|  | 2019 budget (a) | 2019 revised | 2020 estimate | 2021 estimate | 2022 estimate |
| --- | --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 6 733 | 5 941 | 6 291 | 6 473 | 6 567 |
| Advances paid | 504 | 504 | 361 | 354 | 402 |
| Receivables | 9 071 | 8 884 | 9 151 | 9 468 | 9 898 |
| Investments, loans and placements | 41 658 | 41 402 | 41 307 | 41 866 | 43 566 |
| Investments accounted for using equity method | 53 | 53 | 53 | 53 | 53 |
| Investments in other sector entities | .. | .. | .. | .. | .. |
| **Total financial assets** | **58 020** | **56 783** | **57 163** | **58 214** | **60 486** |
| **Non-financial assets** |  |  |  |  |  |
| Inventories | 1 296 | 1 354 | 1 478 | 1 509 | 1 414 |
| Non-financial assets held for sale | 463 | 446 | 447 | 448 | 449 |
| Land, buildings, infrastructure, plant and equipment | 269 991 | 271 219 | 286 468 | 292 970 | 298 694 |
| Other non-financial assets | 3 169 | 3 448 | 4 590 | 6 102 | 6 784 |
| **Total non-financial assets** | **274 920** | **276 467** | **292 983** | **301 029** | **307 341** |
| **Total assets** | **332 939** | **333 250** | **350 145** | **359 243** | **367 828** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 2 083 | 2 074 | 2 121 | 2 112 | 2 067 |
| Payables | 20 052 | 20 484 | 20 003 | 19 504 | 18 408 |
| Borrowings | 55 080 | 52 025 | 58 436 | 61 674 | 63 730 |
| Employee benefits | 7 931 | 7 860 | 8 178 | 8 481 | 8 789 |
| Superannuation | 24 192 | 23 298 | 22 249 | 21 168 | 20 156 |
| Other provisions | 33 645 | 33 521 | 35 382 | 37 356 | 39 451 |
| **Total liabilities** | **142 982** | **139 262** | **146 369** | **150 295** | **152 601** |
| **Net assets** | **189 957** | **193 988** | **203 776** | **208 948** | **215 227** |
| Accumulated surplus/(deficit) | 78 611 | 80 675 | 81 762 | 84 182 | 86 634 |
| Reserves | 111 346 | 113 313 | 122 015 | 124 766 | 128 593 |
| **Net worth** | **189 957** | **193 988** | **203 776** | **208 948** | **215 227** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth | (84 963) | (82 479) | (89 206) | (92 080) | (92 114) |
| Net financial liabilities | 84 963 | 82 479 | 89 206 | 92 080 | 92 114 |
| Net debt | 8 267 | 6 253 | 12 598 | 15 092 | 15 262 |

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

Table 5.18 State of Victoria cash flow statement for the financial year   
ended 30 June ($ million)

|  | 2018-19 budget | | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- | --- |
| **Cash flows from operating activities** |  | |  |  |  |  |
| **Receipts** |  | |  |  |  |  |
| Taxes received | 23 462 | | 23 461 | 24 370 | 25 124 | 26 364 |
| Grants | 32 730 | | 32 482 | 32 912 | 34 068 | 35 271 |
| Sales of goods and services (a) | 18 805 | | 19 703 | 18 043 | 18 673 | 19 394 |
| Interest received | 487 | | 457 | 467 | 510 | 545 |
| Dividend receipts | 1 451 | | 1 707 | 1 635 | 1 951 | 2 001 |
| Other receipts | 2 550 | | 2 513 | 2 505 | 2 570 | 2 646 |
| **Total receipts** | **79 486** | | **80 325** | **79 931** | **82 897** | **86 222** |
| **Payments** |  | |  |  |  |  |
| Payments for employees | (26 398) | | (25 963) | (27 413) | (28 496) | (29 595) |
| Superannuation | (3 518) | | (3 540) | (3 604) | (3 659) | (3 667) |
| Interest paid | (2 635) | | (2 582) | (2 683) | (2 810) | (2 877) |
| Grants and subsidies | (9 491) | | (9 409) | (11 523) | (11 939) | (11 639) |
| Goods and services (a) | (29 533) | | (29 978) | (29 012) | (28 955) | (30 333) |
| Other payments | (833) | | (824) | (810) | (846) | (808) |
| **Total payments** | **(72 409)** | | **(72 296)** | **(75 046)** | **(76 705)** | **(78 919)** |
| **Net cash flows from operating activities** | **7 077** | | **8 028** | **4 886** | **6 192** | **7 303** |
| **Cash flows from investing activities** |  | |  |  |  |  |
| **Cash flows from investments in non-financial assets** | |  |  |  |  |  |
| Purchases of non-financial assets | (13 326) | | (12 688) | (11 654) | (9 634) | (8 561) |
| Sales of non-financial assets | 693 | | 617 | 725 | 595 | 748 |
| **Net cash flows from investments in non-financial assets** | **(12 632)** | | **(12 071)** | **(10 928)** | **(9 038)** | **(7 814)** |
| Net cash flows from investments in financial assets for policy purposes | (161) | | (147) | 141 | (5) | (33) |
| **Subtotal** | **(12 794)** | | **(12 217)** | **(10 787)** | **(9 044)** | **(7 847)** |
| Net cash flows from investment in financial assets for liquidity management purposes | 1 313 | | 1 430 | 807 | 299 | (964) |
| **Net cash flows from investing activities** | **(11 481)** | | **(10 787)** | **(9 980)** | **(8 745)** | **(8 811)** |
| **Cash flows from financing activities** |  | |  |  |  |  |
| Advances received (net) | (244) | | (251) | 50 | (5) | (44) |
| Net borrowings | 4 892 | | 2 463 | 5 397 | 2 744 | 1 647 |
| Deposits received (net) | (4) | | (6) | (3) | (3) | (1) |
| **Net cash flows from financing activities** | **4 644** | | **2 206** | **5 444** | **2 735** | **1 602** |
| **Net increase/(decrease) in cash and cash equivalents** | **239** | | **(552)** | **349** | **182** | **94** |
| Cash and cash equivalents at beginning of  reporting period (b) | 6 494 | | 6 494 | 5 941 | 6 291 | 6 473 |
| **Cash and cash equivalents at end of  reporting period (b)** | **6 733** | | **5 941** | **6 291** | **6 473** | **6 567** |
|  |  | |  |  |  |  |
| **FISCAL AGGREGATES** |  | |  |  |  |  |
| Net cash flows from operating activities | 7 077 | | 8 028 | 4 886 | 6 192 | 7 303 |
| Net cash flows from investments in non-financial assets | (12 632) | | (12 071) | (10 928) | (9 038) | (7 814) |
| Cash surplus/(deficit) | (5 556) | | (4 042) | (6 042) | (2 846) | (511) |

Source: Department of Treasury and Finance

Notes:

(a) Inclusive of goods and services tax.

(b) 2018-19 Budget figures have been restated to represent actual opening balances at 1 July 2018.

Table 5.19 State of Victoria statement of changes in equity for the financial year   
ended 30 June ($ million)

|  | Accumulated surplus/(deficit) | Non-financial assets revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- |
| **2018-19 budget (a)** |  |  |  |  |
| Balance at 1 July 2018 | 78 125 | 108 122 | 1 694 | 187 941 |
| Net result for the year | (491) | .. | .. | (491) |
| Other comprehensive income for the year (b) | 978 | 1 504 | 26 | 2 508 |
| **Total equity as at 30 June 2019** | **78 611** | **109 626** | **1 720** | **189 957** |
| **2018-19 revised** |  |  |  |  |
| Balance at 1 July 2018 | 78 125 | 108 122 | 1 694 | 187 941 |
| Net result for the year | 598 | .. | .. | 598 |
| Other comprehensive income for the year | 1 952 | 3 485 | 12 | 5 449 |
| **Total equity as at 30 June 2019** | **80 675** | **111 607** | **1 706** | **193 988** |
| **2019-20 estimate** |  |  |  |  |
| Balance at 1 July 2019 | 80 675 | 111 607 | 1 706 | 193 988 |
| Net result for the year | 53 | .. | .. | 53 |
| Other comprehensive income for the year | 1 034 | 8 668 | 33 | 9 736 |
| **Total equity as at 30 June 2020** | **81 762** | **120 276** | **1 739** | **203 776** |
| **2020-21 estimate** |  |  |  |  |
| Balance at 1 July 2020 | 81 762 | 120 276 | 1 739 | 203 776 |
| Net result for the year | 1 369 | .. | .. | 1 369 |
| Other comprehensive income for the year | 1 052 | 2 748 | 3 | 3 803 |
| **Total equity as at 30 June 2021** | **84 182** | **123 024** | **1 742** | **208 948** |
| **2021-22 estimate** |  |  |  |  |
| Balance at 1 July 2021 | 84 182 | 123 024 | 1 742 | 208 948 |
| Net result for the year | 1 364 | .. | .. | 1 364 |
| Other comprehensive income for the year | 1 088 | 3 804 | 23 | 4 914 |
| Total equity as at 30 June 2022 | 86 634 | 126 827 | 1 766 | 215 227 |

Source: Department of Treasury and Finance

Notes:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

(b) 2018-19 Budget figures have been updated to reflect more current information.

Table 5.20 Net acquisition of non-financial assets – State of Victoria ($ million)

|  | 2018-19 budget | 2018-19 revised | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- | --- |
| Purchases of non-financial assets  (including change in inventories) | 13 329 | 12 679 | 11 658 | 9 638 | 8 566 |
| Less: Sales of non-financial assets | (693) | (617) | (725) | (595) | (748) |
| Less: Depreciation and amortisation | (5 253) | (5 315) | (5 540) | (6 025) | (6 371) |
| Plus: Other movements in non-financial assets (a) | 733 | 970 | 2 427 | 2 335 | 1 515 |
| Total net acquisition of non-financial assets from transactions | 8 117 | 7 716 | 7 820 | 5 353 | 2 962 |

Source: Department of Treasury and Finance

Note:

(a) The other movements in non-financial assets across the forward estimates predominantly relates to finance leases for the High Capacity Metro Trains Project, the Western Roads Upgrade, the Casey Hospital Expansion, the Northern Roads Upgrade and the South Eastern Roads Upgrade.

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 4.

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

# 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.

Table 6.1 contains quantifiable contingent assets as at 30 November 2018 (arising from outside of government).

Table 6.1: Quantifiable contingent assets ($ million)

|  | As at Dec 2018 | Published budget estimate (a) |
| --- | --- | --- |
| Guarantees, indemnities and warranties | 34 | 36 |
| Legal proceedings and disputes | 2 | 9 |
| Other (b) | 113 | 100 |
| **Total contingent assets** | **149** | **145** |

Source: Department of Treasury and Finance

Notes:

(a) As published in the 2018-19 Budget.

(b) Other contingent assets in the general government sector consists mainly of a contingent payment for Crown Melbourne licence amendments that may be payable in calendar year 2022.

## Non-quantifiable contingent assets

### 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.

# 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.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

The table below contains quantifiable contingent liabilities as at 30 November 2018.

Table 6.2: Quantifiable contingent liabilities ($ million)

|  | As at  Dec 2018 | Published budget  estimate (a) |
| --- | --- | --- |
| Guarantees, indemnities and warranties | 181 | 207 |
| Legal proceedings and disputes | 176 | 114 |
| Other | 66 | 44 |
| Non-general government debt (b) | 12 086 | 11 611 |
| **Total contingent liabilities** | **12 509** | **11 976** |

Source: Department of Treasury and Finance

Notes:

(a) As published in the 2018-19 Budget.

(b) Mainly represents the guarantee of borrowings provided by the Treasurer for the public sector borrowings portfolio.

## Non-quantifiable contingent liabilities

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

* indemnities relating 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 backed by the State of Victoria under a State Support Deed. Under this Deed, the State ensures 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.

### Cladding rectification works – government buildings

The 2014 fire at the Lacrosse apartment building in Melbourne’s Docklands, and the Grenfell fire in London in June 2017, highlighted the fire safety risks from the non‑compliant use of exterior cladding on buildings. Subsequent investigations have highlighted that dangerous materials are widely used on buildings throughout Victoria.

The Victorian Government Cladding Taskforce is investigating the extent of non-compliant cladding on all buildings state-wide.

On behalf of the Cladding Taskforce, the Victorian Building Authority is undertaking a whole of government building audit to assess the extent of non-compliant cladding on all government-owned buildings.

The building audit has identified a number of government-owned buildings that may require rectification. These buildings are being risk-assessed to inform the extent of rectification works required. The expected cost for rectifying the non-compliant cladding is unknown at this time.

### 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;
* teachers: if 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 under the influence of illicit drugs or alcohol or engaging in a criminal offence and the behaviour was not outrageous and was related to their employment;
* school councils: the *Education and Training Reform Act 2006* requires the Department to indemnify individual members of school councils for any legal liability, whether in contract, negligence or defamation, if they acted in good faith and in the course of their duties. The Department may decide to indemnify school councils (which are separate entities to the Department), in claims of common law negligence, and often employment disputes, for the cost of settlement and legal representation. The Department will take into account the impact of payment upon the school’s educational program and any insurance cover for the school council, and will likely indemnify if the Department is satisfied that:
  + the school council acted in good faith and according to issued guidelines and directions; and
  + the school council has insufficient funds to pay the claim.

### National redress scheme – sexual abuse of children in institutions

On 13 June 2018, the *National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 (Vic)* commenced. The Act refers powers to the Commonwealth Parliament to ensure that Victorian institutions can participate in the National Redress Scheme. The National Redress Scheme commenced on 1 July 2018 and will run for 10 years. The scheme will deliver a financial payment of up to $150 000, access to psychological counselling and an apology from the responsible institution to eligible survivors of institutional child abuse. This implements a recommendation of the Victorian Parliamentary Inquiry Betrayal of Trust report and the Royal Commission into Institutional Responses to Child Sexual Abuse.

The Government has set aside funding in the budget estimates over the next 10 years for redress. Due to the historical nature of the abuse in question, the precise number of eligible survivors of abuse is difficult to estimate. Consequently, the exact financial implications for Victoria remain uncertain.

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

Public acquisition overlays are in place 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 contractual arrangements with franchisees to operate metropolitan rail transport services across the State, from 30 November 2017 until 30 November 2024. 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.

### West Gate Tunnel Project

The State and the Transurban Group entered into a public private partnership contract for the Transurban Group to build, operate and maintain the West Gate Tunnel Project. The total estimated project cost is $6.7 billion (nominal).

Government policy is to fund the capital cost of the project from a State contribution of $2.7 billion (nominal), with the remainder of $4 billion (nominal) and ongoing operation and maintenance costs to be funded by Transurban from changes to tolling on the existing CityLink toll road and tolls on the West Gate Tunnel. This policy depends on obtaining the legislative support outlined in the contractual documents for implementing these toll changes.

Should legislative support for any of the proposed toll revenue streams not be forthcoming in the agreed form and timeframe, the contractual documents specify additional State funding to replace funding from the relevant toll revenue streams plus a rate of return on finances raised by Transurban.

Several variables may influence the value of any additional State funding which will depend on:

* the extent and form of legislation that is obtained in relation to tolling the West Gate Tunnel;
* the extent and form of amendments to the current CityLink Concession Deed (including those that give effect to changes to the current tolling arrangements) that are approved by Parliament;
* the timing of the above legislation and parliamentary approval;
* the date construction completion is achieved (and whether any completion delays are due to the State’s or Project Co’s risks);
* the costs of the West Gate Tunnel Project that have been financed by the Transurban Group up to the point the legislative support is obtained; and
* the impacts on expected traffic and toll revenue on CityLink and West Gate Tunnel resulting from the form of legislative support after the West Gate Tunnel is open to traffic.

### The State and the Transurban Group will therefore be required to negotiate the applicable financial or commercial adjustments when the additional State funding is due to be paid. Due to the significant number of variables and the high level of uncertainty, it is not feasible to reliably quantify an estimate of the likely additional State funding support at the date of this report.

### Fiskville independent investigation and closure of the training college

An independent investigation was undertaken into the historical use of chemicals for live firefighting training at Fiskville Training College (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 Fiskville. Fiskville and Victorian Emergency Management Training Centre training grounds owned by CFA at Penshurst, Bangholme, West Sale, Wangaratta, Huntly, and Longerenong have been the subject of notices issued by the Environment Protection Agency (EPA).

The Government response to the Fiskville Inquiry was tabled in Parliament on 24 November 2016. The response supports all of the 31 recommendations of the Victorian Parliamentary Inquiry into the CFA Training College at Fiskville, either in full, in principle or in part.

The CFA has a number of contingent liabilities arising from the closure of Fiskville and the notices issued by EPA. These relate to any further notices that may be issued by the EPA, any regulatory infringements that may be imposed by the EPA, compensation that may be sought, any legal claims that may be made, recommendations made by the Inquiry and the costs of relocating the Firefighters’ Memorial previously located at Fiskville.

At this stage it is impractical to quantify the financial effects of these contingent liabilities.

### 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 in 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.

#### **Royal Melbourne Showgrounds redevelopment**

Under the State’s commitment to the Royal Agriculture Society of Victoria (RASV), the State backs certain obligations of RASV that may arise out of the joint venture agreement between RASV and the State. Under 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 25 years after the operation term has commenced, RASV will be obliged to satisfy the 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 Victorian 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, contract works and domestic building insurance for the Victorian residential builders. The VMIA reinsures in the private market for losses above $50 million arising out of any one occurrence, up to a maximum of $1 billion for public and products liability, and for losses above $50 million arising out of any one event, up to a maximum of $3.6 billion for property. Further, the VMIA reinsures in the private market for losses above $10 million arising out of any one event, up to a limit of $1.5 billion for terrorism. 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 – Specific policy initiatives affecting budget position

Policy initiatives that affect outputs and assets, including Treasurer’s Advances, agreed by the Government since the *2018-19 Budget* are detailed in Appendix A of the November *2018 Pre-Election Budget Update*.

Appendix B – Amendments to the   
2018-19 output performance measures

Output measures for all departments were published in Chapter 2 and Appendix A of Budget Paper No. 3 *Service Delivery*. The Public Accounts and Estimates Committee has completed its review of the measures which were substantially changed or proposed to be discontinued, and tabled its report in Parliament on 18 September 2018. The Government will consider the Committee’s report and respond to the recommendations within the legislated timeline. All agreed changes to output performance measures will be reflected in the next budget publication.

Appendix C – Tax expenditures and concessions

Tax expenditures and concessions represent forgone revenue to the State. They take a number of different forms in the tax system, for example, exemptions, benefits and incentives delivered through the tax system. Regardless of form, they preferentially benefit certain taxpayers, activities or assets compared with normal taxation treatment.

**Tax expenditures**

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. Benefits arising from marginal tax rates and tax-free thresholds are not considered to be tax expenditures, since they apply to all taxpayers. Accordingly, they are not included in this section.

Over the past decade, the State has forgone $47.6 billion in revenue in the form of tax expenditures. In 2018-19, tax expenditures are forecast to be $8.9 billion.

The tax expenditures outlined below can include exemptions, reduced rates, deductions or rebates of tax for a certain type of taxpayer, activity or asset. Table C.1 aggregates tax expenditure estimates by the main tax categories for the period 2017-18 to 2021-22. In estimating tax expenditures, it is assumed that taxpayer behaviour is unchanged by the concession.

Land tax expenditures form a significant portion of total estimated tax expenditures. The current biennial property valuation process was centralised within the Valuer-General Victoria on 1 July 2018 and will be undertaken annually from the 2019 revaluation cycle.

Table C.1: Estimates of aggregate tax expenditures by type of tax (a) ($ million)

| Description | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
| --- | --- | --- | --- | --- | --- |
| Land tax | 4 053 | 5 379 | 5 706 | 5 877 | 6 440 |
| Fire Services Property Levy | 22 | 22 | 22 | 22 | 22 |
| Payroll tax | 1 327 | 1 468 | 1 544 | 1 624 | 1 711 |
| Gambling tax | 77 | 80 | 81 | 81 | 82 |
| Motor vehicle taxes | 188 | 206 | 216 | 225 | 234 |
| Land transfer duties | 1 673 | 1 701 | 1 692 | 1 580 | 1 602 |
| Congestion levy | 59 | 60 | 62 | 63 | 65 |
| Total estimated tax expenditures | 7 399 | 8 916 | 9 323 | 9 472 | 10 156 |

*Source: Department of Treasury and Finance*

Notes:

(a) All amounts have been rounded to the nearest $1 million unless otherwise stated. Figures may not add due to rounding.

(b) The increase in Payroll tax expenditures since 2018-19 Budget reflects a higher than anticipated outcome in 2017-18 for the regional Payroll tax rate reduction.

**Concessions**

Concessions are direct budget outlays or reduced government charges that reduce the price of a good or service for particular groups. Over the past decade, the State has provided $14.8 billion in concessions. In 2018-19, concessions are forecast to be about $1.7 billion.

Certain characteristics of a consumer, such as possession of a Commonwealth Government pension card or health care card, can be the basis for such entitlements. Concessions allow certain groups in the community to access or purchase important public services such as energy, education, health and transportation at a reduced cost. Table C.2 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 hardship. 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 not‑for‑profit organisations such as 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 C.2: Concessions by category (a) ($ million)

| Description | 2017-18 | 2018-19 |
| --- | --- | --- |
| Electricity | 151 | 154 |
| Mains gas | 67 | 66 |
| Municipal rates | 94 | 97 |
| Water and sewerage | 171 | 174 |
| **Total energy, municipal rates, water and sewerage** | **484** | **491** |
| Ambulance | 400 | 412 |
| Dental services and spectacles | 170 | 174 |
| Community health programs | 99 | 102 |
| **Total health** | **669** | **688** |
| **Education** | **54** | **73** |
| **Hardship schemes** | **43** | **45** |
| **Social and community services** | **3** | **3** |
| **Private transport** | **204** | **182** |
| **Public transport** | **161** | **168** |
| Total for items estimated | 1 618 | 1 651 |

Source: Department of Treasury and Finance

Notes:

(a) All amounts have been rounded to the nearest $1 million unless otherwise stated. Figures may not add due to rounding.

Appendix D – Sensitivity analysis

The *2018‑19 Budget Update* relies on forecasts and judgements about the economic, operating and financial conditions for the Victorian general government sector. Uncertainty in these conditions, for example as a result of international developments and other risks to the national economy, may cause the actual results to differ from projections.

This sensitivity analysis explores the impact of variations in the macroeconomic outlook on key fiscal aggregates of the general government sector using two alternative approaches.

The first quantifies the fiscal impacts of scenarios involving simultaneous variations in economic parameters that represent key risks to the economic outlook described in Chapter 2 *Economic Context*. These scenarios were selected to cover plausible shocks that could affect Victoria over the medium term, and the modelling takes account of linkages between key international, Australian and Victorian economic aggregates.

The modelled outcomes are intended to be used as a guide and care should be exercised in interpreting the results. In particular, economic shocks tend to be idiosyncratic in nature, with the modelled scenarios unlikely to completely reflect any future shock that could occur. Departures from these scenarios would be expected to result in different impacts on the budget. Furthermore, these shocks do not incorporate any policy responses to the shock or the change in outlook.

The second approach considers the fiscal impacts of independent variations in major macroeconomic parameters, holding all parameters other than the indicator of interest constant. This analysis may be useful for assessing the impact on fiscal aggregates of a forecast error in a single economic parameter. In practice, economic variations rarely occur in isolation, and scenario analysis is likely to be more appropriate to illustrate the fiscal impacts of an economic environment materially different from that presented in the budget papers.

# Fiscal impacts of variations to the economic outlook

This part of the sensitivity analysis quantifies some of the key risks identified in Chapter 2 *Economic Context* and presents how these risks might affect the State’s economic and fiscal aggregates. Two scenarios are considered: a negative shock to the household sector that affects consumption and dwelling investment; and a positive shock to Victoria’s labour force participation rate, partially accommodated through an increase in final demand.[[1]](#footnote-1) The design and calibration of both scenarios is identical to those analysed in Budget Paper No. 2, Appendix A *Sensitivity Analysis* of the *2018‑19 Budget*. Continued strength in the Victorian economy over the past six months has, however, flowed through to a stronger base case against which the two scenarios have been compared.

The economic impacts of both scenarios have been modelled as deviations from a business as usual base case generated from the Victoria University Regional Model (VURM).[[2]](#footnote-2) The changes in economic indicators resulting from the modelled shocks are then mapped into estimated revenue and expenditure impacts using elasticities that describe the historic relationship between fiscal outcomes and major macroeconomic parameters in Table D.5.[[3]](#footnote-3)

## Downturn in household consumption and dwelling investment

The household sector has been an important engine of growth for the Victorian economy, with both household consumption and dwelling investment growing strongly in recent years. However, there are signs of vulnerability. The residential property market is moderating, with weak to negative price growth and slowing transaction volumes. The housing construction cycle is maturing and growth in building approvals has declined, while the increase in household leverage has left some households vulnerable to housing and mortgage stress should their circumstances change or borrowing costs rise significantly. This could have broader implications for consumer spending, housing construction activity, the labour market and overall economic growth prospects.

Shocks to the household sector could arise through a more rapid rise in borrowing costs for mortgage holders, tighter lending standards or other prudential measures. Alternatively, a broader softening of economic conditions could cause households to reduce their appetite to take on debt, increase their rate of saving and shrink spending on discretionary items. Households may also reappraise expectations about future asset price growth, meaning they require a higher rate of return to invest in property and other assets.

To model this scenario in VURM, the shock has been applied to raise the national household saving rate and the threshold rate of return required by households to purchase newly constructed property. A national shock has been applied since the triggers for this type of downturn would likely apply to all states and territories, rather than Victoria in isolation. The weakening in national household consumption and dwelling investment has been calibrated as a five percentage point fall in national dwelling investment growth[[4]](#footnote-4) and a one percentage point decrease in national household consumption growth in the budget year.[[5]](#footnote-5) Chart D.1 illustrates how Victorian household consumption and dwelling investment evolve under the base case and the scenario.

Chart D.1: Household consumption and dwelling investment under the base case and scenario



Sources: Australian Bureau of Statistics, Centre of Policy Studies, Victoria University, and Department of Treasury and Finance

Table D.1 summarises the economic effects of this downside scenario on the Victorian economy. Real gross state product (GSP) is around three‑tenths of a percentage point lower under the scenario in the budget year, with the falls in household consumption and dwelling investment partly offset by a boost to Victoria’s trade balance as a result of a depreciation in the Australian dollar. The weaker currency also raises tradable goods and services prices, adding to higher consumer price index (CPI) in 2018-19 and 2019-20. Employment falls in line with weaker conditions in the construction, accommodation and food services and retail trade industries (Chart D.2). Subdued demand conditions reduce growth in wages, which lowers production costs and the CPI in 2020-21 and 2021-22 through second-round effects. Consequent reductions in household incomes and asset returns also weigh on growth in real GSP, acting to depress household spending further.

Table D.1: The effect of a downturn in household consumption and   
dwelling investment on major economic parameters(a) (per cent)

|  | 2018-19 estimate | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- |
| Real GSP | (0.29) | (0.28) | (0.29) | (0.29) |
| Employment | (0.33) | (0.22) | (0.15) | (0.11) |
| Consumer price index | 0.24 | 0.10 | (0.02) | (0.11) |
| Wage price index | (0.06) | (0.40) | (0.65) | (0.84) |

Source: Centre of Policy Studies, Victoria University

Note:

(a) Figures reported are the change in the level of each parameter relative to the baseline of no change in the economic outlook, for each year of the budget.

Chart D.2: Weaker conditions in the Victorian construction and discretionary spending sectors



Source: Centre of Policy Studies, Victoria University

Table D.2 summarises the fiscal impacts of this scenario. With slower growth in real GSP, employment and wages, income from transactions is lower over the budget and forward estimates. This is reflected in lower payroll tax and reduced GST grants revenue as a result of a smaller national GST pool relative to the base case.[[6]](#footnote-6) Land transfer duty collections are also lower, reflecting softer property prices. Growth in expenses from transactions is marginally slower in the scenario relative to the base case, reflecting lower public sector employment and a gradual pass-through of weaker economy‑wide wage increases to public sector wage agreements. The impact on public sector employee expenses reflects the model’s assumed relationship between private and public sector employment and wages. Public sector employment is assumed to be a fixed share of overall employment, while public sector wage growth is assumed to respond to private sector wage growth. Overall, the impact on employee expenses is insufficient to offset the fall in general government sector revenue and is reflected in a decline in the net result and an increase in net debt over the budget and forward estimates.

Table D.2: Projected fiscal impact of a downturn in household consumption   
and dwelling investment ($ million)

|  | 2018-19 estimate | 2019-20 estimate | 2020-21  estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- |
| Income from transactions | (294.0) | (326.8) | (351.2) | (352.0) |
| Expenses from transactions | (40.3) | (63.8) | (165.1) | (246.2) |
| **Net result from transactions** | **(253.6)** | **(263.0)** | **(186.1)** | **(105.9)** |
| Other economic flows | (4.3) | (4.3) | (3.5) | (3.1) |
| **Net result** | **(257.9)** | **(267.3)** | **(189.5)** | **(108.9)** |
| **Net debt (cumulative)** | **257.9** | **518.4** | **700.9** | **802.6** |
| Net debt to GSP ratio (percentage point difference) | 0.07 | 0.13 | 0.16 | 0.17 |

Source: Department of Treasury and Finance

## Sustained high labour force participation in Victoria

Victoria’s labour force participation rate has outperformed expectations in recent years. High labour force participation has supported the strongest period of job creation since the early 1990s. Longer-term structural trends, such as rising workforce participation by both females and those aged 50 years and over that reflect cultural, economic, and social changes in Australia have contributed significantly to the pick up in the participation rate over the past four years (Chart D.3). This has more than counteracted the role that demographic change through an ageing population has played in attenuating Victoria’s participation rate.

Chart D.3: Contributions to changes in Victoria’s labour force participation rate, twelve months to June 2014 to twelve months to October 2018(a)



Sources: Australian Bureau of Statistics; Department of Treasury and Finance

Note:

(a) Demographic change affects the size and composition of the potential workforce. Population ageing results in a higher proportion of the civilian population (aged 15 years and over) being in older age cohorts, which have relatively lower participation rates.

The forecasts in Chapter 2 *Economic Context* assume the labour force participation rate (in year average terms) moderates from its peak of 65.9 per cent in 2017‑18 over the budget and forward estimates (Chart D.4). However, it is possible that the various factors that have underpinned the rise in participation in recent years persist.

This upside scenario assumes that the labour force participation rate rises to around 66.2 per cent by 2019‑20, plateauing around this value over the forward estimates. This amounts to the aggregate participation being around 0.25 percentage points higher in the budget year and 0.5 percentage points higher than the base case for each of the following three years.

**Chart D.4: Victoria’s labour force participation rate under the base case and scenario**



Sources: Australian Bureau of Statistics; Department of Treasury and Finance

The most recent upswing in the participation rate suggests such an increase would not happen exogenously; that is, more Victorians would not supply their labour without reasonable prospects of gaining work. For this reason, the shock has been implemented in VURM so that the rise in the participation rate has been accompanied by an increase in final demand from household consumption. This results in the Victorian economy being able to accommodate much of the additional labour supply, leaving the unemployment rate little changed relative to the base case.

The effects of this scenario on major economic parameters are reported in Table D.3. Strong employment growth and household demand provides a short‑term impetus to consumer price inflation in 2018-19 and 2019-20. Over time, the larger labour force exerts downward pressure on wages and production costs, spilling over into lower inflation by the end of the forward estimates relative to current forecasts. The boost to final demand and more contained wages growth stimulates employment (Chart D.5). This also improves the productivity of capital, resulting in higher investment.

Table D.3: The effect of higher participation on major economic parameters(a) (per cent)

|  | 2018-19 estimate | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- |
| Real GSP | 0.16 | 0.37 | 0.47 | 0.54 |
| Employment | 0.22 | 0.51 | 0.63 | 0.70 |
| Consumer price index | 0.11 | 0.13 | (0.00) | (0.09) |
| Wage price index | (0.03) | (0.24) | (0.49) | (0.63) |

Source: Centre of Policy Studies, Victoria University

Note:

(a) Figures reported are the change in the level of each parameter relative to the baseline of no change in the economic outlook, for each year of the budget.

**Chart D.5: The effects on growth and employment of high labour force participation**



*Sources: Australian Bureau of Statistics; Centre of Policy Studies; Department of Treasury and Finance*

Under this scenario, general government sector revenue is higher, as shown in Table D.4. The boost to Victorian household consumption raises the GST pool,[[7]](#footnote-7) while higher household disposable income leads to more property-based taxes being collected by the State Government. In contrast, payroll tax collections are only marginally higher in the scenario, as the effect of the higher level of employment and more modest wage growth almost negate each other.

Table D.4: Projected fiscal impact of higher labour force participation ($ million)

|  | 2018-19 estimate | 2019-20 estimate | 2020-21  estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- |
| Income from transactions | 207.4 | 336.4 | 294.8 | 286.9 |
| Expenses from transactions | 67.8 | 126.1 | 41.5 | (16.6) |
| **Net result from transactions** | **139.6** | **210.2** | **253.2** | **303.5** |
| Other economic flows | 2.1 | 4.2 | 3.4 | 3.1 |
| **Net result** | **141.7** | **214.4** | **256.6** | **306.6** |
| **Net debt (cumulative)** | **(141.7)** | **(358.5)** | **(617.5)** | **(926.5)** |
| Net debt to GSP ratio (percentage point difference) | (0.04) | (0.10) | (0.15) | (0.21) |

Source: Department of Treasury and Finance

Government expenses are marginally higher under the scenario, reflecting higher public sector employment. However, these effects largely unwind by the last year of the forward estimates, reflecting the pass‑through of more modest economy‑wide wages growth. These impacts reflect the assumed relationship between private and public sector employment and wages in the model, as discussed in the lower household consumption and dwelling investment scenario. Overall, the increase in revenue more than offsets the immediate rise in expenses, boosting the net result across all four years of the budget and forward estimates and leading to a fall in the stock of net debt.

# Sensitivity to independent variations in major economic parameters

Table D.5 presents the sensitivity of financial aggregates where the levels of key economic parameters are one per cent (or, for interest rates, one percentage point) above the forecast for each year of the budget and forward estimates, holding all else constant. The impacts shown are broadly symmetric; that is, the estimated fiscal impacts would apply approximately equally in the opposite direction where there is a decrease in the parameter. Differences may arise to the extent that the impact on income tax equivalent income may not be symmetric because that line item is subject to a floor of zero, and the impact on dividends may be affected by some entities facing caps on the share of profits that can be returned to the general government sector.

Table D.5: Sensitivity of key fiscal aggregates to selected indicators being   
1 per cent higher than expected from 2018-19 (a)(b)(c)(d) ($ million)

|  | 2018-19 estimate | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- |
| **GSP** |  |  |  |  |
| Income from transactions | 115 | 121 | 126 | 130 |
| Expenses from transactions | 1 | (4) | (9) | (15) |
| **Net result from transactions** | **114** | **126** | **135** | **144** |
| **Net debt** | **(114)** | **(239)** | **(375)** | **(519)** |
| **Employment (e)** |  |  |  |  |
| Income from transactions | 80 | 84 | 88 | 93 |
| Expenses from transactions | 254 | 276 | 294 | 313 |
| **Net result from transactions** | **(174)** | **(192)** | **(206)** | **(221)** |
| **Net debt** | **174** | **366** | **572** | **793** |
| **Consumer prices (f)** |  |  |  |  |
| Income from transactions | 170 | 261 | 254 | 278 |
| Expenses from transactions | 219 | 216 | 211 | 214 |
| **Net result from transactions** | **(49)** | **45** | **43** | **64** |
| **Net debt** | **49** | **(4)** | **(56)** | **(128)** |
| **Average weekly earnings (g)** |  |  |  |  |
| Income from transactions | (21) | 54 | 22 | 52 |
| Expenses from transactions | 5 | 4 | 3 | 2 |
| **Net result from transactions** | **(27)** | **49** | **19** | **50** |
| **Net debt** | **27** | **(23)** | **(41)** | **(91)** |
| **Total employee expenses (h)** |  |  |  |  |
| Income from transactions | .. | 24 | 84 | 92 |
| Expenses from transactions | 255 | 314 | 336 | 357 |
| **Net result from transactions** | **(255)** | **(290)** | **(251)** | **(265)** |
| **Net debt** | **255** | **529** | **765** | **1 013** |
| **Domestic share prices** |  |  |  |  |
| Income from transactions | (1) | 3 | 3 | 1 |
| Expenses from transactions | .. | (2) | (2) | (2) |
| **Net result from transactions** | **(1)** | **5** | **5** | **4** |
| **Net debt** | **1** | **(2)** | **(5)** | **(6)** |
| **Overseas share prices** |  |  |  |  |
| Income from transactions | 1 | 7 | 5 | 3 |
| Expenses from transactions | .. | (2) | (2) | (3) |
| **Net result from transactions** | **1** | **9** | **8** | **6** |
| **Net debt** | **(1)** | **(8)** | **(13)** | **(17)** |
| **Property prices** |  |  |  |  |
| Income from transactions | 92 | 93 | 98 | 101 |
| Expenses from transactions | (2) | (7) | (11) | (15) |
| **Net result from transactions** | **94** | **100** | **109** | **117** |
| Net debt | (97) | (199) | (311) | (430) |

Table D.5: Sensitivity of key fiscal aggregates to selected indicators being   
1 per cent higher than expected from 2018-19*(continued)*($ million)

|  | 2018-19 estimate | 2019-20 estimate | 2020-21 estimate | 2021-22 estimate |
| --- | --- | --- | --- | --- |
| **Property volumes** |  |  |  |  |
| Income from transactions | 61 | 62 | 65 | 67 |
| Expenses from transactions | (1) | (4) | (7) | (10) |
| **Net result from transactions** | **62** | **66** | **71** | **77** |
| **Net debt** | **(62)** | **(128)** | **(199)** | **(277)** |
| **Interest rates (i)** |  |  |  |  |
| Income from transactions | 406 | 110 | 115 | 125 |
| Expenses from transactions | 2 | 158 | 153 | 135 |
| **Net result from transactions** | **404** | **(48)** | **(38)** | **(10)** |
| Net debt | (404) | (521) | (648) | (789) |

Source: Department of Treasury and Finance

Notes:

(a) Variations are applied to the economic variables effective from the first day in the budget year (1 July 2018). It is assumed that each variable’s growth rate matches that under a no‑variation scenario for the forward estimates period. This implies economic variables, other than interest rates, are 1 per cent higher across the four years compared with a no‑variation scenario; interest rates are assumed to be 1 percentage point higher in each year of the budget and forward estimates.

(b) A positive number for income from transactions denotes an increase in revenue. A positive number for expenses from transactions denotes an increase in expenses (and hence a reduction in the net result from transactions). A positive number for the net result from transactions denotes a higher surplus or smaller deficit. A positive number for net debt denotes a higher level of net debt in the relevant year compared with a no‑variation scenario. Numbers may not balance due to rounding.

(c) Only reasonably quantifiable impacts have been included in the analysis.

(d) Estimates of net debt are approximately equal to the cumulative impact of the net result from transactions. The difference between the cumulative net result from transactions and net debt is due to non‑cash expenses and gross sale proceeds (where applicable).

(e) A shock to employment is assumed to impact payroll tax revenue to an extent consistent with no change to historical relationships between total employment, part‑time/full‑time employment shares, and payroll tax revenue. Both public and private sector employment are assumed to be 1 per cent higher across the four years; the rise in public sector employment boosts general government sector employee expenses.

(f) Incorporates the impact of departmental funding model arrangements. It is assumed that an increase in consumer prices within the budget year does not affect employee entitlements.

(g) A positive shock to average weekly earnings increases the expenses of public financial and non‑financial corporations and reduces the general government sector’s income from dividends and ITEs.

(h) Represents a one‑off 1 per cent increase in total employee expenses relative to a no‑variation scenario. This could be generated through a change in the size of the workforce, the price of the workforce (salaries, overtime, allowances and bonuses, long service leave expenses, fringe benefits tax and WorkCover premiums), through other management decisions regarding the composition and profile of the workforce or any combination of these.

(i) Interest rates are assumed to be 1 percentage point higher in each year of the budget and forward estimates.

Appendix E – Quarterly Financial Report for the Victorian general government sector – September 2018

The financial statements included in this appendix estimate the revised budget outcomes for the 2018-19 financial year and the actual financial results for the general government sector for the three months ended 30 September 2018, prepared in accordance with the *Financial Management Act 1994*.

GENERAL GOVERNMENT SECTOR OUTCOME

## Financial performance

The general government sector recorded a net result from transactions of $832 million for the three months to 30 September 2018. This is higher than the $555 million net result from transactions for the first quarter of 2017‑18, primarily driven by growth in GST grants due to an increase in Victoria’s share of national population, an increase in Victoria’s GST relativity and an increase in the expected 2018-19 national GST pool in the Commonwealth’s 2018-19 Budget. Growth in payroll tax revenue, attributable to strong employment growth, is also contributing to the higher net result from transactions for the three months to 30 September 2018 when compared to the same period last year.

Similar to previous years, the uneven recognition pattern of various major revenue items such as land tax, the Fire Services Property Levy, Commonwealth grants and dividends from public corporations has a significant impact on quarterly operating results. Accordingly, care needs to be taken in their interpretation and projecting potential annual outcomes.

Revenue for the quarter totalled $16.6 billion, or 23.8 per cent of the full year revised budget. Although revenue levels are tracking slightly below the revised budget, this is consistent with previous years and expectations for the current year to date, due to the timing of certain revenue items. In particular:

* land tax recognition is $781 million below the pro rata revised budget, as the majority of land tax is billed and recognised in the March quarter, partially offset by the Fire Services Property Levy which is tracking $483 million above the pro-rata revised budget due to its billing in the September quarter;
* grant revenue is $456 million below the pro-rata revised budget, primarily impacted by the timing of Commonwealth Government grants; and
* dividends from public non-financial and financial corporations are lower than the pro‑rata revised budget for the quarter as they are typically declared during the second and fourth quarters of the relevant financial years.

Expenses from transactions totalled $15.8 billion for the September 2018 quarter, or 23.3 per cent of the annual revised budget for the year.

Grant expenditure was 22.3 per cent of the revised budget for the quarter. This was lower than the pro-rata revised budget primarily due to the timing of payments to the Commonwealth relating to the National Disability Insurance Scheme.

Other significant expenditure categories include employee expenses and other operating expenses. These tracked below pro-rata for the September quarter, at 24.3 per cent and 22.6 per cent of the revised budget respectively, in line with expectations.

The comprehensive result includes other economic flows that are not included in the net   
result from transactions. The comprehensive result was a surplus of $1.9 billion for the quarter, compared with $1.7 billion over the same period in 2017‑18. In both periods, the surplus was primarily attributable to gains on the remeasurement of the State’s superannuation liability due to increases in the bond yields that underlie the key superannuation valuation assumptions.

## Financial position

Total assets over the three months to September 2018 increased by $771 million to $265 billion. Total assets are expected to increase throughout the remainder of 2018-19 as a result of the Government’s infrastructure investment program.

Total liabilities declined by $1.2 billion to $79.0 billion over the same period, primarily due to the earlier mentioned positive remeasurement of the State’s superannuation liability.

Net debt decreased by $1.3 billion to $18.7 billion over the quarter, primarily due to the receipt of proceeds from the commercialisation of the land titles and registry functions of Land Use Victoria.

## Cash flows

The movements disclosed in the cash flow statement are consistent with the above‑mentioned drivers associated with the net result, the impact of the Government’s infrastructure program, and the upfront proceeds from the commercialisation of the land titles and registry functions of Land Use Victoria.

## Infrastructure investment

The State continues to deliver its infrastructure program to support growing community needs and ongoing productivity improvement.

For the three months to September 2018, net investment in infrastructure totalled $2.2 billion, compared to $1.9 billion over the corresponding period in 2017.

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the period ended 30 September ($ million)

| 2017-18 |  |  | | 2018-19 | |
| --- | --- | --- | --- | --- | --- |
| actual |  |  | | actual | revised |
| 30 Sep |  | Notes | | 30 Sep | budget |
|  | **Revenue from transactions** |  | |  |  |
| 5 722 | Taxation revenue | E.2.1 | | 5 896 | 24 092 |
| 210 | Interest revenue |  | | 210 | 818 |
| 57 | Dividends, income tax equivalent and rate equivalent revenue | E.2.2 | | 82 | 1 103 |
| 1 766 | Sales of goods and services | E.2.3 | | 1 905 | 7 594 |
| 6 899 | Grant revenue | E.2.4 | | 7 923 | 33 515 |
| 544 | Other revenue | E.2.5 | | 573 | 2 636 |
| **15 198** | **Total revenue from transactions** |  | | **16 589** | **69 757** |
|  | **Expenses from transactions** |  | |  |  |
| 5 581 | Employee expenses |  | | 6 081 | 24 986 |
| 192 | Net superannuation interest expense | E.3.3 | | 167 | 688 |
| 598 | Other superannuation | E.3.3 | | 671 | 2 750 |
| 655 | Depreciation | E.4.2 | | 680 | 2 921 |
| 454 | Interest expense |  | | 493 | 2 090 |
| 2 559 | Grant expense |  | | 2 853 | 12 785 |
| 4 604 | Other operating expenses |  | | 4 812 | 21 296 |
| **14 643** | **Total expenses from transactions** | E.3.4 | | **15 757** | **67 517** |
| **555** | **Net result from transactions – net operating balance** |  | | **832** | **2 241** |
|  | **Other economic flows included in net result** |  | |  |  |
| (1) | Net gain/(loss) on disposal of non-financial assets |  | | 5 | 90 |
| (2) | Net gain/(loss) on financial assets or liabilities at fair value |  | | (4) | 24 |
| .. | Share of net profit/(loss) from associates/joint venture entities | |  | .. | .. |
| (56) | Other gains/(losses) from other economic flows | E.7.1 | | (116) | (347) |
| **(58)** | **Total other economic flows included in net result** |  | | **(115)** | **(233)** |
| **497** | **Net result** |  | | **718** | **2 008** |
|  | **Other economic flows – other comprehensive income** |  | |  |  |
|  | **Items that will not be reclassified to net result** |  | |  |  |
| (22) | Changes in non-financial assets revaluation surplus |  | | 16 | 699 |
| 1 259 | Remeasurement of superannuation defined benefits plans |  | | 1 213 | 1 996 |
| (65) | Other movements in equity |  | | 14 | (13) |
|  | **Items that may be reclassified subsequently to net result** |  | |  |  |
| (6) | Net gain/(loss) on financial assets at fair value |  | | (12) | 2 |
| .. | Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets |  | | .. | 2 021 |
| **1 165** | **Total other economic flows – other comprehensive income** |  | | **1 230** | **4 705** |
| **1 662** | **Comprehensive result – total change in net worth** |  | | **1 948** | **6 713** |
|  |  |  | |  |  |
|  | **KEY FISCAL AGGREGRATES** |  | |  |  |
| **555** | **Net operating balance** |  | | **832** | **2 241** |
| 283 | Less: Net acquisition of non-financial assets from transactions | E.3.6 | | 690 | 2 027 |
| 272 | Net lending/(borrowing) |  | | 142 | 214 |

Source: Department of Treasury and Finance

CONSOLIDATED BALANCE SHEET

As at 30 September ($ million)

| 2017-18 |  |  | |  | 2018-19 |  |
| --- | --- | --- | --- | --- | --- | --- |
| actual |  |  | | opening | actual | revised |
| 30 Sep |  | Notes | | 1 Jul | 30 Sep | budget |
|  | **Assets** |  | |  |  |  |
|  | **Financial assets** |  | |  |  |  |
| 4 146 | Cash and deposits | E.7.2 | | 6 257 | 5 940 | 4 180 |
| 12 179 | Advances paid |  | | 10 019 | 9 189 | 8 524 |
| 6 281 | Receivables | E.5.1 | | 6 208 | 6 400 | 6 400 |
| 3 895 | Investments, loans and placements |  | | 3 928 | 3 940 | 4 204 |
| 48 | Investments accounted for using the equity method | |  | 53 | 52 | 53 |
| 93 484 | Investments in other sector entities |  | | 101 253 | 102 157 | 108 405 |
| **120 033** | **Total financial assets** |  | | **127 717** | **127 679** | **131 766** |
|  | **Non-financial assets** |  | |  |  |  |
| 173 | Inventories |  | | 175 | 171 | 187 |
| 405 | Non-financial assets held for sale |  | | 389 | 391 | 391 |
| 122 018 | Land, buildings, infrastructure, plant and equipment | E.4.1 | | 134 141 | 134 414 | 136 721 |
| 1 944 | Other non-financial assets | E.4.7 | | 1 872 | 2 411 | 2 130 |
| **124 539** | **Total non-financial assets** |  | | **136 577** | **137 386** | **139 428** |
| **244 573** | **Total assets** | E.4.8 | | **264 294** | **265 065** | **271 194** |
|  | **Liabilities** |  | |  |  |  |
| 8 403 | Deposits held and advances received |  | | 6 700 | 5 772 | 4 900 |
| 5 722 | Payables | E.5.2 | | 6 713 | 9 143 | 9 438 |
| 29 485 | Borrowings |  | | 33 506 | 31 974 | 34 522 |
| 6 329 | Employee benefits | E.3.2 | | 7 020 | 6 893 | 7 319 |
| 23 903 | Superannuation |  | | 25 205 | 24 257 | 23 268 |
| 1 043 | Other provisions |  | | 1 034 | 962 | 919 |
| **74 884** | **Total liabilities** |  | | **80 178** | **79 001** | **80 365** |
| **169 689** | **Net assets** |  | | **184 116** | **186 064** | **190 829** |
| 53 145 | Accumulated surplus/(deficit) |  | | 52 574 | 54 496 | 56 577 |
| 116 544 | Reserves |  | | 131 543 | 131 569 | 134 252 |
| **169 689** | **Net worth** |  | | **184 116** | **186 064** | **190 829** |
|  |  |  | |  |  |  |
|  | **FISCAL AGGREGATES** |  | |  |  |  |
| 45 150 | Net financial worth |  | | 47 540 | 48 678 | 51 401 |
| 48 335 | Net financial liabilities |  | | 53 713 | 53 479 | 57 004 |
| 17 667 | Net debt |  | | 20 003 | 18 677 | 22 513 |

Source: Department of Treasury and Finance

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 September ($ million)

| 2017-18 |  |  | 2018-19 | |
| --- | --- | --- | --- | --- |
| actual |  |  | actual | revised |
| 30 Sep |  | Notes | 30 Sep | budget |
|  | **Cash flows from operating activities** |  |  |  |
|  | **Receipts** |  |  |  |
| 5 491 | Taxes received |  | 5 994 | 23 919 |
| 6 902 | Grants |  | 7 927 | 33 515 |
| 1 984 | Sales of goods and services (a)(b) |  | 4 984 | 11 095 |
| 210 | Interest received |  | 209 | 818 |
| 57 | Dividends, income tax equivalent and rate equivalent receipts |  | 82 | 1 041 |
| 469 | Other receipts |  | 491 | 2 164 |
| **15 114** | **Total receipts** |  | **19 686** | **72 552** |
|  | **Payments** |  |  |  |
| (5 748) | Payments for employees |  | (6 211) | (24 690) |
| (529) | Superannuation |  | (572) | (3 379) |
| (476) | Interest paid |  | (514) | (2 053) |
| (2 947) | Grants and subsidies |  | (2 908) | (13 246) |
| (5 179) | Goods and services (a) |  | (5 694) | (21 256) |
| (207) | Other payments |  | (211) | (775) |
| **(15 086)** | **Total payments** |  | **(16 110)** | **(65 398)** |
| **28** | **Net cash flows from operating activities** | E.7.3 | **3 577** | **7 155** |
|  | **Cash flows from investing activities** |  |  |  |
|  | **Cash flows from investments in non-financial assets** |  |  |  |
| (1 881) | Purchases of non-financial assets | E.3.5 | (2 139) | (9 361) |
| 45 | Sales of non-financial assets |  | 45 | 365 |
| **(1 835)** | **Net cash flows from investments in non-financial assets** |  | **(2 095)** | **(8 996)** |
| 672 | Net cash flows from investments in financial assets for policy purposes |  | 729 | 1 263 |
| **(1 163)** | **Sub-total** |  | **(1 365)** | **(7 733)** |
| (232) | Net cash flows from investments in financial assets for liquidity management purposes |  | (35) | (257) |
| **(1 395)** | **Net cash flows from investing activities** |  | **(1 400)** | **(7 990)** |
|  | **Cash flows from financing activities** |  |  |  |
| (707) | Advances received (net) |  | (834) | (1 795) |
| 669 | Net borrowings |  | (1 566) | 559 |
| 22 | Deposits received (net) |  | (94) | (5) |
| **(16)** | **Net cash flows from financing activities** |  | **(2 494)** | **(1 242)** |
| **(1 384)** | **Net increase/(decrease) in cash and cash equivalents** |  | **(317)** | **(2 077)** |
| 5 530 | Cash and cash equivalents at beginning of reporting period |  | 6 257 | 6 257 |
| **4 146** | **Cash and cash equivalents at end of the reporting period** | E.7.2 | **5 940** | **4 180** |
|  |  |  |  |  |
|  | **FISCAL AGGREGATES** |  |  |  |
| 28 | Net cash flows from operating activities |  | 3 577 | 7 155 |
| (1 835) | Net cash flows from investments in non-financial assets |  | (2 095) | (8 996) |
| (1 808) | Cash surplus/(deficit) |  | 1 482 | (1 841) |

Source: Department of Treasury and Finance

Notes:

(a) These items include goods and services tax.

(b) The September 2018 balance includes the upfront proceeds from the commercialisation of the land titles and registry functions of   
Land Use Victoria.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September ($ million)

|  | Accumulated surplus/(deficit) | Non-financial assets revaluation surplus |
| --- | --- | --- |
| **2018-19** |  |  |
| Balance at 1 July 2018 | 52 574 | 64 084 |
| Net result for the year | 718 | .. |
| Other comprehensive income for the year | 1 204 | 16 |
| **Total equity as at 30 September 2018** | **54 496** | **64 099** |
| **Revised budget equity as at 30 June 2019** | **56 577** | **64 783** |
| **2017-18** |  |  |
| Balance at 1 July 2017 (a) | 51 464 | 55 320 |
| Net result for the year | 497 | .. |
| Other comprehensive income for the year | 1 184 | (22) |
| Total equity as at 30 September 2017 (a) | 53 145 | 55 298 |

Source: Department of Treasury and Finance

Note:

(a) The September 2017 comparative figures have been restated to reflect the reclassification of $425 million from the non-financial assets revaluation surplus to other reserves relating to accumulated revenue dedicated to the purchase of assets in the National Gallery of Victoria.

| Investment in other sector  entities revaluation surplus | Other reserves | Total |
| --- | --- | --- |
|  |  |  |
| 66 351 | 1 108 | 184 116 |
| .. | .. | 718 |
| .. | 11 | 1 230 |
| **66 351** | **1 119** | **186 064** |
| **68 372** | **1 096** | **190 829** |
|  |  |  |
| 60 149 | 1 094 | 168 027 |
| .. | .. | 497 |
| .. | 4 | 1 165 |
| 60 149 | 1 098 | 169 689 |

ABOUT THIS REPORT

## Basis of preparation

This September Quarterly Financial Report presents the unaudited financial report for the general government sector for the three months ended 30 September 2018.

The accounting policies applied in this quarterly financial report are consistent with those applied in the financial statements published in the *2017‑18 Financial Report* for the State of Victoria. Full presentation and disclosure of transition to AASB 9 *Financial Instruments* will be reflected in the *2018-19 Financial Report* for the State of Victoria.

This quarterly financial report does not include all the notes normally included with the annual financial report, and should be read in conjunction with the *2017‑18 Financial Report*.

## Statement of compliance

These financial statements have been prepared in accordance with section 26 of the *Financial Management Act 1994*, having regard to the recognition and measurement principles of the applicable Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB). The financial statements are presented in a manner consistent with the requirements of *AASB 1049 Whole of Government and General Government Sector Financial Reporting*. The financial statements have also applied the reporting requirements from the *Australian System of Government Finance Statistics: Concepts, Sources and Methods (2015)* manual released by the Australian Bureau of Statistics.

Where applicable, those paragraphs of AAS applicable to not-for-profit entities have been applied.

## Basis of accounting and measurement

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

## Reporting entity

The general government sector includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. The primary function of entities in the 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 the transfer or redistribution of revenue, which is financed mainly through taxes and other compulsory levies.

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

## Basis of consolidation

The September Quarterly Financial Report includes all reporting entities in the general government sector that are controlled by the State. Information on entities consolidated for the general government sector is included in Note 7.4. In the process of reporting the general government sector as a single economic entity, all material transactions and balances in the sector are eliminated.

HOW FUNDS ARE RAISED

## Introduction

This section presents the sources and amounts of revenue raised by the general government sector.

Revenue from transactions is recognised to the extent that it is probable the economic benefits will flow to the general government sector and the revenue can be reliably measured at fair value.

## Taxation revenue

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| **1 521** | **Taxes on employers’ payroll and labour force** | **1 616** | **6 327** |
|  | **Taxes on immovable property** |  |  |
| 65 | Land tax | 77 | 3 433 |
| 658 | Fire Services Property Levy (a) | 644 | 644 |
| (3) | Congestion levy | 2 | 104 |
| 125 | Metropolitan improvement levy | 122 | 169 |
| **845** | **Total taxes on property** | **845** | **4 350** |
|  | **Gambling taxes** |  |  |
| 108 | Public lotteries | 142 | 424 |
| 281 | Electronic gaming machines | 296 | 1 147 |
| 51 | Casino | 54 | 239 |
| 18 | Racing and other sports betting | 17 | 106 |
| 7 | Other | 7 | 13 |
|  | **Financial and capital transactions** |  |  |
| 1 717 | Land transfer duty | 1 682 | 6 463 |
| 6 | Metropolitan planning levy | 5 | 24 |
| 39 | Financial accommodation levy | 34 | 170 |
| 65 | Growth areas infrastructure contribution | 76 | 287 |
| **23** | **Levies on statutory corporations** | **35** | **157** |
| **369** | **Taxes on insurance** | **387** | **1 400** |
| **2 683** | **Total taxes on the provision of goods and services** | **2 737** | **10 429** |
|  | **Motor vehicle taxes** |  |  |
| 395 | Vehicle registration fees | 410 | 1 701 |
| 222 | Duty on vehicle registrations and transfers | 230 | 977 |
| **..** | **Liquor licence fees** | **..** | **24** |
| **56** | **Other** | **59** | **283** |
| **674** | **Total taxes on the use of goods and performance of activities** | **699** | **2 986** |
| 5 722 | Total taxation revenue | 5 896 | 24 092 |

Source: Department of Treasury and Finance

Note:

(a) The Government set the 2017-18 and 2018-19 Fire Services Property Levy rates to collect the amount that was budgeted in 2016-17 ($662 million). In the 2018-19 Budget, the Government decided to return the 2017-18 over-collection through reduced rates for the 2018-19 levy year.

## Dividends, income tax equivalent and rate equivalent revenue

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| .. | Dividends from PFC sector (a) | .. | 511 |
| .. | Dividends from PNFC sector | .. | 205 |
| 9 | Dividends from non-public sector | 21 | 78 |
| **9** | **Dividends** | **21** | **794** |
| .. | Income tax equivalent revenue from PFC sector | 2 | 104 |
| 47 | Income tax equivalent revenue from PNFC sector | 58 | 197 |
| **48** | **Income tax equivalent revenue** | **60** | **302** |
| .. | Local government rate equivalent revenue | .. | 7 |
| 57 | Total dividends, income tax equivalent and rate equivalent revenue | 82 | 1 103 |

Source: Department of Treasury and Finance

Note:

(a) ‘Amounts equivalent to dividends' to be paid by the Transport Accident Commission are received and reported as contributions forming part of grant revenue, consistent with the requirements of AASB 1023 General Insurance Contracts (AASB 1023).

## Sales of goods and services

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| 55 | Motor vehicle regulatory fees | 57 | 225 |
| 131 | Other regulatory fees | 122 | 539 |
| 23 | Sale of goods | 20 | 89 |
| 1 045 | Provision of services | 1 129 | 4 387 |
| 17 | Rental | 19 | 83 |
| 2 | Refunds and reimbursements | .. | 15 |
| 494 | Inter-sector capital asset charge | 557 | 2 257 |
| 1 766 | Total sales of goods and services | 1 905 | 7 594 |

Source: Department of Treasury and Finance

## Grant revenue

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| 3 691 | General purpose grants | 4 324 | 16 853 |
| 851 | Specific purpose grants for on-passing | 896 | 3 703 |
| 2 309 | Other specific purpose grants | 2 367 | 11 952 |
| **6 851** | **Total** | **7 587** | **32 508** |
| 48 | Other contributions and grants | 336 | 1 006 |
| 6 899 | Total grant revenue | 7 923 | 33 515 |

Source: Department of Treasury and Finance

## Other revenue

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| 1 | Fair value of assets received free of charge or for nominal consideration | .. | 69 |
| 169 | Fines | 205 | 788 |
| 24 | Royalties | 25 | 99 |
| 65 | Donations and gifts | 71 | 317 |
| 7 | Other non-property rental | 9 | 27 |
| 152 | Other revenue – Education | 111 | 643 |
| 10 | Other revenue – Health | 15 | 49 |
| 116 | Other miscellaneous revenue | 137 | 644 |
| 544 | Total other revenue | 573 | 2 636 |

Source: Department of Treasury and Finance

HOW FUNDS ARE SPENT

### Introduction

This section details the major components of expenditure incurred by the general government sector towards the operating activities (expenses from transactions) and on capital or infrastructure projects during the period, as well as any related obligations outstanding as at 30 September 2018.

## Employee expenses and provision for outstanding employee benefits

### Employee expenses (operating statement)

Employee expenses in the operating statement are a major component of operating costs and include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements and redundancy payments. The majority of employee expenses in the operating statement are wages and salaries.

### Employee expenses (balance sheet)

As part of operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to reflect the estimated timing and amount of benefit payment. The table below shows the key components of this provision as at 30 September 2018.

## Employee benefits (balance sheet)

($ million)

| 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- |
| actual |  | opening | actual | revised |
| 30 Sep |  | 1 Jul | 30 Sep | budget |
|  | **Current** |  |  |  |
| 313 | Accrued salaries and wages | 592 | 409 | 606 |
| 64 | Other employee benefits | 87 | 85 | 87 |
| 1 507 | Annual leave | 1 615 | 1 632 | 1 647 |
| 3 651 | Long service leave | 3 888 | 3 919 | 4 026 |
| **5 536** | **Total current employee benefits and on-costs** | **6 182** | **6 044** | **6 366** |
|  | **Non-current** |  |  |  |
| 793 | Long service leave | 837 | 849 | 953 |
| **793** | **Total non-current employee benefits and on-costs** | **837** | **849** | **953** |
| 6 329 | Total employee benefits and on-costs | 7 020 | 6 893 | 7 319 |

Source: Department of Treasury and Finance

## Superannuation (operating statement)

($ million)

| 2017-18 |  | 2018-19 | | |
| --- | --- | --- | --- | --- |
| actual |  | actual | | revised |
| 30 Sep |  | 30 Sep | | budget |
|  | **Defined benefit plans** |  | |  |
| 192 | Net superannuation interest expense | 167 | | 688 |
| 197 | Current service cost | 231 | | 1 000 |
|  | Remeasurements: |  | |  |
| (231) | Expected return on superannuation assets excluding interest income | (256) | | (1 039) |
| 90 | Other actuarial (gain)/loss on superannuation assets | (40) | | (40) |
| (1 118) | Actuarial and other adjustments to unfunded superannuation liability | (917) | | (917) |
| **(870)** | **Total expense recognised in respect of defined benefit plans** | **(815)** | | **(308)** |
|  | **Defined contribution plans** |  | |  |
| 384 | Employer contributions to defined contribution plans | 419 | | 1 679 |
| 17 | Other (including pensions) | 20 | | 71 |
| **401** | **Total expense recognised in respect of defined contribution plans** | **440** | | **1 750** |
| **(469)** | **Total superannuation (gain)/expense recognised in operating statement** | | **(375)** | **1 442** |
|  | **Represented by:** |  | |  |
| 192 | Net superannuation interest expense | 167 | | 688 |
| 598 | Other superannuation | 671 | | 2 750 |
| **790** | **Superannuation expense from transactions** | **838** | | **3 439** |
| **(1 259)** | **Remeasurement recognised in other comprehensive income** | **(1 213)** | | **(1 996)** |
| (469) | Total superannuation costs recognised in operating statement | (375) | | 1 442 |

Source: Department of Treasury and Finance

## Total expenses by classification of the functions of government and by portfolio department

### (a) Expenses by classification of the functions of government (a) ($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| 890 | General public services | 970 | 3 877 |
| 1 712 | Public order and safety | 1 920 | 8 290 |
| 323 | Economic affairs | 365 | 2 115 |
| 171 | Environmental protection | 157 | 844 |
| 450 | Housing and community amenities | 461 | 2 196 |
| 4 319 | Health | 4 755 | 19 449 |
| 156 | Recreation, culture and religion | 186 | 938 |
| 3 776 | Education | 3 968 | 16 454 |
| 1 213 | Social protection | 1 225 | 6 450 |
| 1 772 | Transport | 1 950 | 8 343 |
| (139) | Not allocated by purpose | (200) | (1 439) |
| 14 643 | Total Expenses by COFOG | 15 757 | 67 517 |

Source: Department of Treasury and Finance

Note:

(a) The classification of the functions of government (COFOG) framework has replaced the former Government Purpose Classification (GPC) framework under the new ABS GFS Manual. This was implemented for the first time in the 2018-19 Budget. Note 1.7.5 of Budget Paper No.5 of the 2018-19 Budget provides definitions and descriptions of the COFOG.

### (b) Total expenses by portfolio department ($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
|  | **Expenses from transactions** |  |  |
| 2 264 | Economic Development, Jobs, Transport and Resources | 2 472 | 10 834 |
| 4 239 | Education and Training | 4 495 | 18 494 |
| 713 | Environment, Land, Water and Planning | 677 | 3 799 |
| 5 864 | Health and Human Services | 6 336 | 27 236 |
| 1 748 | Justice and Regulation | 1 845 | 7 787 |
| 112 | Premier and Cabinet | 151 | 820 |
| 1 668 | Treasury and Finance | 1 805 | 7 618 |
| 47 | Parliament | 52 | 233 |
| 138 | Courts | 157 | 675 |
| 549 | Regulatory bodies and other part funded agencies (a) | 573 | 2 451 |
| **17 342** | **Total expenses by department** | **18 561** | **79 946** |
| (2 699) | *Less eliminations and adjustments* | (2 804) | (12 430) |
| 14 643 | Total expenses | 15 757 | 67 517 |

Source: Department of Treasury and Finance

Note:

(a) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to departments.

## Purchases of non-financial assets by portfolio department

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| 1 220 | Economic Development, Jobs, Transport and Resources | 1 352 | 6 185 |
| 270 | Education and Training | 378 | 1 660 |
| 30 | Environment, Land, Water and Planning | 17 | 181 |
| 187 | Health and Human Services | 125 | 1 351 |
| 74 | Justice and Regulation | 177 | 782 |
| 1 | Premier and Cabinet | 1 | 51 |
| 11 | Treasury and Finance | 5 | 43 |
| 10 | Parliament | 3 | 10 |
| 11 | Courts | 11 | 120 |
| 44 | Regulatory bodies and other part funded agencies (a) | 46 | 288 |
| **1 858** | **Total purchases of non-financial assets by department** | **2 113** | **10 672** |
| 22 | *Eliminations and adjustments (b)* | 26 | (1 311) |
| 1 881 | Total purchases of non-financial assets | 2 139 | 9 361 |

Source: Department of Treasury and Finance

Notes:

(a) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to departments.

(b) Budget includes contingencies not allocated to departments and estimated departmental underspend.

## Net acquisition of non-financial assets from transactions

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| 1 884 | Purchases of non-financial assets (including change in inventories) | 2 138 | 9 366 |
| (45) | Less: Sales of non-financial assets | (45) | (365) |
| (655) | Less: Depreciation and amortisation | (680) | (2 921) |
| (901) | Plus/(less): Other movements in non-financial assets | (723) | (4 053) |
| 283 | Total net acquisition of non-financial assets from transactions | 690 | 2 027 |

Source: Department of Treasury and Finance

MAJOR ASSETS AND INVESTMENTS

## Introduction

This section outlines those assets the general government sector controls, reflecting investing activities in the current period and prior years.

## Total land, buildings, infrastructure, plant and equipment

($ million)

| 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- |
| actual |  | opening | actual | revised |
| 30 Sep |  | 1 Jul | 30 Sep | budget |
| 28 152 | Buildings | 30 232 | 30 150 | 31 631 |
| 4 657 | Leased buildings | 5 600 | 5 568 | 5 462 |
| 50 556 | Land and national parks | 58 442 | 58 496 | 58 902 |
| 1 369 | Infrastructure systems | 1 353 | 1 308 | 1 407 |
| 2 363 | Plant, equipment and vehicles | 2 538 | 2 819 | 2 584 |
| 179 | Leased plant, equipment and vehicles | 240 | 274 | 224 |
| 20 596 | Roads and road infrastructure | 21 496 | 21 561 | 22 015 |
| 563 | Leased roads and road infrastructure | 556 | 554 | 579 |
| 7 961 | Earthworks | 8 039 | 8 039 | 8 279 |
| 5 622 | Cultural assets | 5 646 | 5 644 | 5 639 |
| 122 018 | Total land, buildings, infrastructure, plant and equipment | 134 141 | 134 414 | 136 721 |

Source: Department of Treasury and Finance

## Depreciation

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| 283 | Buildings | 290 | 1 236 |
| 40 | Leased buildings | 47 | 195 |
| 8 | Infrastructure systems | 9 | 47 |
| 128 | Plant, equipment and vehicles | 131 | 619 |
| 7 | Leased plant, equipment and vehicles | 7 | 17 |
| 152 | Roads and road infrastructure | 156 | 623 |
| 2 | Leased roads and road infrastructure | 2 | 9 |
| 5 | Cultural assets | 5 | 26 |
| 30 | Intangible produced assets (a) | 33 | 148 |
| 655 | Total depreciation | 680 | 2 921 |

Source: Department of Treasury and Finance

Note:

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

## Land and buildings

($ million)

| 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- |
| actual |  | opening | actual | revised |
| 30 Sep |  | 1 Jul | 30 Sep | budget |
| 31 104 | Buildings | 32 525 | 32 716 | 35 304 |
| (2 952) | Accumulated depreciation | (2 293) | (2 567) | (3 674) |
| **28 152** | **Buildings (net carrying amount)** | **30 232** | **30 150** | **31 631** |
| 5 306 | Leased buildings | 6 242 | 6 259 | 6 306 |
| (649) | Leased buildings accumulated depreciation | (643) | (691) | (844) |
| **4 657** | **Leased buildings (net carrying amount)** | **5 600** | **5 568** | **5 462** |
| 49 507 | Land | 57 209 | 57 263 | 57 678 |
| 1 049 | National parks and other ’land only’ holdings | 1 233 | 1 233 | 1 224 |
| **50 556** | **Land and national parks** | **58 442** | **58 496** | **58 902** |
| 83 366 | Total land and buildings | 94 273 | 94 215 | 95 994 |

Source: Department of Treasury and Finance

## Plant, equipment, vehicles, and infrastructure systems

($ million)

| 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- |
| actual |  | opening | actual | revised |
| 30 Sep |  | 1 Jul | 30 Sep | budget |
| 1 869 | Infrastructure systems | 1 840 | 1 803 | 1 940 |
| (500) | Accumulated depreciation | (487) | (495) | (533) |
| **1 369** | **Infrastructure systems (net carrying amount)** | **1 353** | **1 308** | **1 407** |
| 6 232 | Plant, equipment and vehicles | 6 561 | 6 947 | 7 142 |
| (3 869) | Accumulated depreciation | (4 024) | (4 128) | (4 558) |
| 441 | Leased plant, equipment and vehicles | 519 | 560 | 519 |
| (263) | Accumulated depreciation | (279) | (285) | (295) |
| **2 541** | **Plant, equipment and vehicles (net carrying amount)** | **2 778** | **3 093** | **2 808** |
| 3 910 | Total plant, equipment and vehicles, and  infrastructure systems | 4 131 | 4 401 | 4 215 |

Source: Department of Treasury and Finance

## Roads, road infrastructure and earthworks

($ million)

| 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- |
| actual |  | opening | actual | revised |
| 30 Sep |  | 1 Jul | 30 Sep | budget |
| 40 089 | Roads and roads infrastructure | 41 627 | 41 849 | 42 770 |
| (19 493) | Accumulated depreciation | (20 132) | (20 288) | (20 755) |
| **20 596** | **Roads and road infrastructure (net carrying amount)** | **21 496** | **21 561** | **22 015** |
| 584 | Leased road and road infrastructure | 584 | 584 | 617 |
| (21) | Accumulated depreciation | (28) | (31) | (38) |
| **563** | **Leased road and road infrastructure (net carrying amount)** | **556** | **554** | **579** |
| **7 961** | **Earthworks** | **8 039** | **8 039** | **8 279** |
| 29 120 | Total roads, road infrastructure and earthworks | 30 091 | 30 154 | 30 873 |

Source: Department of Treasury and Finance

## Cultural assets

($ million)

| 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- |
| actual |  | opening | actual | revised |
| 30 Sep |  | 1 Jul | 30 Sep | budget |
| 5 780 | Cultural assets | 5 818 | 5 821 | 5 837 |
| (158) | Accumulated depreciation | (172) | (177) | (198) |
| 5 622 | Total cultural assets | 5 646 | 5 644 | 5 639 |

Source: Department of Treasury and Finance

## Other non-financial assets

($ million)

| 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- |
| actual |  | opening | actual | revised |
| 30 Sep |  | 1 Jul | 30 Sep | budget |
| 1 710 | Intangible produced assets | 1 946 | 1 972 | 2 015 |
| (903) | Accumulated depreciation | (1 010) | (1 042) | (1 138) |
| 118 | Intangible non-produced assets | 118 | 119 | 119 |
| (34) | Accumulated amortisation | (39) | (41) | (42) |
| **891** | **Total intangibles** | **1 015** | **1 008** | **954** |
| 177 | Investment properties | 186 | 186 | 183 |
| 3 | Biological assets | 2 | 2 | 4 |
| 873 | Other assets | 669 | 1 214 | 990 |
| 1 944 | Total other non-financial assets | 1 872 | 2 411 | 2 130 |

Source: Department of Treasury and Finance

## Total assets by classification of the functions of government (a)

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| 2 222 | General public services | 2 273 | 2 165 |
| 8 350 | Public order and safety | 9 674 | 10 249 |
| 1 033 | Economic affairs | 1 240 | 1 152 |
| 10 309 | Environmental protection | 11 955 | 11 948 |
| 1 822 | Housing and community amenities | 1 796 | 1 739 |
| 14 613 | Health | 15 368 | 15 436 |
| 7 124 | Recreation, culture and religion | 7 334 | 7 415 |
| 22 810 | Education | 27 489 | 28 367 |
| 2 368 | Social protection | 2 626 | 3 346 |
| 54 092 | Transport | 57 851 | 59 411 |
| 119 828 | Not allocated by purpose | 127 459 | 129 966 |
| 244 573 | Total assets by COFOG | 265 065 | 271 194 |

Source: Department of Treasury and Finance

Note:

(a) The classification of the functions of government (COFOG) framework has replaced the former Government Purpose Classification (GPC) framework under the new ABS GFS Manual. This was implemented for the first time in the 2018-19 Budget. Note 1.7.5 of Budget Paper No. 5 of the 2018-19 Budget provides definitions and descriptions of the COFOG.

OTHER ASSETS AND LIABILITIES

## Introduction

This section sets out other assets and liabilities that arise from the general government sector’s operations.

## Receivables

($ million)

| 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- |
| actual |  | opening | actual | revised |
| 30 Sep |  | 1 Jul | 30 Sep | budget |
|  | **Contractual** |  |  |  |
| 736 | Sales of goods and services | 682 | 1 150 | 646 |
| 18 | Accrued investment income | 19 | 19 | 20 |
| 1 138 | Other receivables | 675 | 640 | 688 |
| (97) | Provision for doubtful contractual receivables | (108) | (108) | (107) |
|  | **Statutory** |  |  |  |
| 4 | Sales of goods and services | 3 | 3 | 2 |
| 2 869 | Taxes receivable | 3 153 | 3 016 | 3 277 |
| 2 106 | Fines and regulatory fees | 2 510 | 2 629 | 2 642 |
| 349 | GST input tax credits recoverable | 443 | 323 | 444 |
| (841) | Provision for doubtful statutory receivables | (1 169) | (1 271) | (1 211) |
| **6 281** | **Total receivables** | **6 208** | **6 400** | **6 400** |
|  | **Represented by:** |  |  |  |
| 5 462 | Current receivables | 5 890 | 6 086 | 6 086 |
| 819 | Non-current receivables | 318 | 314 | 314 |

Source: Department of Treasury and Finance

## Payables

($ million)

| 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- |
| actual |  | opening | actual | revised |
| 30 Sep |  | 1 Jul | 30 Sep | budget |
|  | **Contractual** |  |  |  |
| 1 239 | Accounts payable | 1 542 | 1 387 | 1 507 |
| 2 155 | Accrued expenses | 2 814 | 2 200 | 2 738 |
| 2 285 | Unearned income | 2 298 | 5 222 | 5 132 |
|  | **Statutory** |  |  |  |
| 44 | Accrued taxes payable | 60 | 333 | 60 |
| **5 722** | **Total payables** | **6 713** | **9 143** | **9 438** |
|  | **Represented by:** |  |  |  |
| 4 070 | Current payables | 4 856 | 4 589 | 4 796 |
| 1 652 | Non-current payables | 1 856 | 4 554 | 4 642 |

Source: Department of Treasury and Finance

PUBLIC ACCOUNT

## Introduction

This section discloses information in respect of the Public Account, in accordance with the requirements of the *Financial Management Act, No. 18 of 1994* (FMA).

## Consolidated fund receipts and payments

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| to Sep |  | to Sep | budget |
| 5 491 | Taxation | 5 999 | 24 275 |
| 189 | Fines and regulatory fees | 184 | 896 |
| 4 453 | Grants received | 5 310 | 22 880 |
| 1 675 | Sales of goods and services (a) | 4 702 | 9 865 |
| 115 | Interest received | 110 | 491 |
| 48 | Dividends, income tax equivalent and rate equivalent receipts | 60 | 963 |
| 33 | Other receipts (a) | 139 | 952 |
| **12 003** | **Total operating activities** | **16 505** | **60 322** |
| 310 | Total inflows from investing and financing | 24 | 3 656 |
| **12 314** | **Total receipts** | **16 528** | **63 978** |
|  | **Payments to departments** |  |  |
| 2 680 | Economic Development, Jobs, Transport and Resources | 2 419 | 13 419 |
| 3 655 | Education and Training | 3 876 | 14 678 |
| 606 | Environment, Land, Water and Planning | 608 | 2 975 |
| 4 630 | Health and Human Services | 4 972 | 18 415 |
| 1 846 | Justice and Regulation | 2 067 | 8 131 |
| 125 | Premier and Cabinet | 167 | 822 |
| 2 067 | Treasury and Finance | 2 394 | 7 761 |
| 61 | Parliament | 58 | 231 |
| 144 | Courts | 158 | 735 |
| **15 814** | **Total payments** | **16 717** | **67 168** |
| (3 500) | Net receipts/(payments) | (189) | (3 190) |

Source: Department of Treasury and Finance

Note:

(a) The September 2017 comparative figures have been reclassified to reflect more correct classification of the transactions.

## Trust fund cash flow statement

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| to Sep |  | to Sep | budget |
|  | **Cash flows from operating activities** |  |  |
| 173 | Taxation | 176 | 385 |
| 10 | Regulatory fees and fines | 20 | 55 |
| 4 271 | Grants received (a) | 4 560 | 17 128 |
| 93 | Sale of goods and services (b) | 24 | 493 |
| 55 | Interest received | 53 | 168 |
| 5 | Dividends received | 12 | 63 |
| 1 103 | Net transfers from consolidated fund | 1 087 | 3 283 |
| 43 | Other receipts (b) | 89 | 96 |
| **5 753** | **Total receipts (a)** | **6 021** | **21 672** |
| (50) | Payments for employees | (66) | (229) |
| (4) | Superannuation | (5) | (16) |
| (1) | Interest paid | (3) | (6) |
| (4 676) | Grants and subsidies (a) | (4 955) | (20 398) |
| (509) | Goods and services | (542) | (1 578) |
| **(5 239)** | **Total payments (a)** | **(5 571)** | **(22 226)** |
| **514** | **Net cash flows from operating activities** | **450** | **(555)** |
| (31) | Purchases of property, plant and equipment | (53) | (54) |
| 9 | Proceeds from sale of property, plant and equipment | 13 | 52 |
| 754 | Net proceeds from customer loans | 826 | 1 551 |
| (459) | Other investing activities | (731) | (1 898) |
| **273** | **Net cash flows from investing activities** | **55** | **(348)** |
|  | **Cash flows from financing activities** |  |  |
| (452) | Net proceeds (repayments) from borrowings | (870) | (579) |
| **(452)** | **Net cash flows from financing activities** | **(870)** | **(579)** |
| 335 | Net cash inflow/(outflow) | (366) | (1 481) |

Source: Department of Treasury and Finance

Notes:

(a) The September 2017 comparative figures have been restated to reflect more current information.

(b) The September 2017 comparative figures have been reclassified to reflect more correct classification of the transactions.

## Reconciliation of cash flows to balances held

($ million)

|  | Balances  held at  30 Jun 2018 | Sep  movement  YTD | Balances  held at  30 Sep 2019 |
| --- | --- | --- | --- |
| **Cash and deposits** |  |  |  |
| Cash and balances outside of the Public Account | (1) | (1) | (1) |
| Deposits held with the Public Account – specific trusts | 697 | 329 | 1 026 |
| Other balances held in the Public Account | 3 212 | (984) | 2 228 |
| **Total cash and deposits** | **3 908** | **(656)** | **3 253** |
| **Investments** |  |  |  |
| Investments held with the Public Account – specific trusts | 1 500 | (105) | 1 396 |
| **Total investments** | **1 500** | **(105)** | **1 396** |
| **Total fund balances** | **5 409** | **(760)** | **4 649** |
| **Less funds held outside the public account** |  |  |  |
| Cash | (1) | (1) | (1) |
| **Total fund balances held outside the Public Account** | **(1)** | **(1)** | **(1)** |
| Total fund balances held in the Public Account | 5 409 | (760) | 4 650 |

Source: Department of Treasury and Finance

## Details of securities held

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | opening | actual |
| 30 Sep |  | 1 Jul | 30 Sep |
| 2 125 | Amounts invested on behalf of specific trust accounts (a) | 2 198 | 2 422 |
| (226) | General account balances | 3 211 | 2 228 |
| **1 899** | **Total Public Account (a)** | **5 409** | **4 650** |
|  | **Represented by:** |  |  |
| 1 266 | Stock, securities, cash and investments (a) | 3 630 | 3 766 |
|  | Add cash advanced for: |  |  |
| .. | Temporary Advance from the Treasury Corporation of Victoria to the Consolidated Fund pursuant to Section 38 of the *Financial Management Act 1994* | 850 | .. |
| 633 | Advances pursuant to sections 36 and 37 of the *Financial Management Act 1994* | 929 | 884 |
| 1 899 | Total Public Account (a) | 5 409 | 4 650 |

Source: Department of Treasury and Finance

Note:

(a) The September 2017 comparative figures have been restated to reflect more current information.

OTHER DISCLOSURES

## Introduction

This section includes several additional disclosures that assist the understanding of this financial report.

## Other gains/(losses) from other economic flows

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual |  | actual | revised |
| 30 Sep |  | 30 Sep | budget |
| (61) | Net (increase)/decrease in provision for doubtful receivables | (109) | (212) |
| (2) | Amortisation of intangible non-produced assets | (1) | (4) |
| (4) | Bad debts written off | (2) | (129) |
| 11 | Other gains/(losses) | (3) | (3) |
| (56) | Total other gains/(losses) from other economic flows | (116) | (347) |

Source: Department of Treasury and Finance

## Reconciliation of cash and cash equivalents

($ million)

| 2017-18 actual 30 Sep |  | 2018-19 actual 30 Sep |
| --- | --- | --- |
| 1 429 | Cash | 1 748 |
| 2 717 | Deposits at call | 4 191 |
| **4 146** | **Cash and cash equivalents** | **5 940** |
| .. | Bank overdraft | .. |
| 4 146 | Balances as per cash flow statement | 5 940 |

Source: Department of Treasury and Finance

## Reconciliation of net result to net cash flows from operating activities

($ million)

| 2017-18  actual  to Sep |  | 2018-19  actual  to Sep |
| --- | --- | --- |
| **497** | **Net result** | **718** |
|  | **Non-cash movements** |  |
| 657 | Depreciation and amortisation | 681 |
| 2 | Revaluation of investments | 4 |
| (1) | Assets (received)/provided free of charge | .. |
|  | **Movements included in investing and financing activities** |  |
| 1 | Net gain/loss from sale of investments | (5) |
|  | **Movements in assets and liabilities** |  |
| 2 | Increase/(decrease) in provision for doubtful debts | 102 |
| (165) | Increase/(decrease) in payables | 2 560 |
| (177) | Increase/(decrease) in employee benefits | (127) |
| 261 | Increase/(decrease) in superannuation | 265 |
| (235) | Increase/(decrease) in other provisions | (70) |
| (352) | (Increase)/decrease in receivables | (8) |
| (462) | (Increase)/decrease in other non-financial assets | (544) |
| 28 | Net cash flows from operating activities | 3 577 |

Source: Department of Treasury and Finance

## Controlled entities

Note 9.8 Controlled entities in the *2017-18 Financial Report* for the State of Victoria lists significant controlled entities, which were consolidated in that financial report.

Refer to Note 4.7.5 of Chapter 4 of this budget update for changes to general government sector entities since 1 July 2018.

## Glossary of technical terms

The *2017-18 Financial Report* for the State of Victoria (Note 9.9) summarises the major technical terms used in this report.

RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

## Introduction

This section includes the comprehensive operating statement, balance sheet and cash flow statement for the past five quarters in accordance with the requirements of the *Financial Management Act 1994*.

Consolidated comprehensive operating statement for the past five quarters ($ million)

|  | 2017-18 | |  |  |  | 2018-19 |
| --- | --- | --- | --- | --- | --- | --- |
|  | Sep | | Dec | Mar | Jun | Sep |
| **Revenue from transactions** |  | |  |  |  |  |
| Taxation revenue | 5 722 | | 4 986 | 6 980 | 5 241 | 5 896 |
| Interest revenue | 210 | | 206 | 202 | 228 | 210 |
| Dividends, income tax equivalent and rate equivalent revenue | 57 | | 376 | 85 | 263 | 82 |
| Sales of goods and services | 1 766 | | 1 871 | 1 801 | 1 901 | 1 905 |
| Grant revenue | 6 899 | | 7 328 | 8 162 | 7 538 | 7 923 |
| Other revenue | 544 | | 626 | 566 | 1 031 | 573 |
| **Total revenue from transactions** | **15 198** | | **15 393** | **17 796** | **16 202** | **16 589** |
| **Expenses from transactions** |  | |  |  |  |  |
| Employee expenses | 5 581 | | 5 715 | 5 698 | 6 276 | 6 081 |
| Net superannuation interest expense | 192 | | 168 | 176 | 178 | 167 |
| Other superannuation | 598 | | 657 | 631 | 649 | 671 |
| Depreciation | 655 | | 657 | 666 | 767 | 680 |
| Interest expense | 454 | | 555 | 513 | 570 | 493 |
| Grant expense | 2 559 | | 2 505 | 3 346 | 2 719 | 2 853 |
| Other operating expenses | 4 604 | | 4 741 | 4 709 | 5 736 | 4 812 |
| **Total expenses from transactions** | **14 643** | | **14 998** | **15 739** | **16 896** | **15 757** |
| **Net result from transactions –  net operating balance** | **555** | | **395** | **2 057** | **(694)** | **832** |
| **Other economic flows included in net result** |  | |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | (1) | | 22 | 63 | (25) | 5 |
| Net gain/(loss) on financial assets or liabilities at fair value | (2) | | 41 | (5) | 19 | (4) |
| Share of net profit/(loss) from associates/joint venture entities | .. | | .. | (4) | (2) | .. |
| Other gains/(losses) from other economic flows | (56) | | (86) | (78) | (714) | (116) |
| **Total other economic flows included in net result** | | **(58)** | **(23)** | **(23)** | **(722)** | **(115)** |
| Net result | 497 | | 371 | 2 035 | (1 417) | 718 |

Consolidated comprehensive operating statement for the past five quarters *(continued)*   
 ($ million)

|  | 2017-18 |  |  |  | 2018-19 |
| --- | --- | --- | --- | --- | --- |
|  | Sep | Dec | Mar | Jun | Sep |
| **Other economic flows –  other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non-financial assets revaluation surplus | (22) | 20 | 66 | 8 700 | 16 |
| Remeasurement of superannuation defined benefits plans | 1 259 | (500) | (263) | (754) | 1 213 |
| Other movements in equity | (65) | (43) | 2 | 2 | 14 |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | (6) | 31 | (16) | (10) | (12) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | .. | 686 | .. | 5 515 | .. |
| **Total other economic flows –  other comprehensive income** | **1 165** | **195** | **(210)** | **13 453** | **1 230** |
| **Comprehensive result –  total change in net worth** | **1 662** | **567** | **1 825** | **12 036** | **1 948** |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** | **555** | **395** | **2 057** | **(694)** | **832** |
| Less: Net acquisition of non-financial assets from transactions | 283 | 1 468 | 235 | 1 237 | 690 |
| Net lending/(borrowing) | 272 | (1 073) | 1 823 | (1 932) | 142 |

Source: Department of Treasury and Finance

Consolidated balance sheet at the end of the past five quarters ($ million)

|  | 2017-18 | |  |  |  | 2018-19 |
| --- | --- | --- | --- | --- | --- | --- |
|  | Sep | | Dec | Mar | Jun | Sep |
| **Assets** |  | |  |  |  |  |
| **Financial assets** |  | |  |  |  |  |
| Cash and deposits | 4 146 | | 3 992 | 3 900 | 6 257 | 5 940 |
| Advances paid | 12 179 | | 11 986 | 11 095 | 10 019 | 9 189 |
| Receivables | 6 281 | | 5 807 | 7 756 | 6 208 | 6 400 |
| Investments, loans and placements | 3 895 | | 4 159 | 4 163 | 3 928 | 3 940 |
| Investments accounted for using the equity method | | 48 | 47 | 44 | 53 | 52 |
| Investments in other sector entities | 93 484 | | 95 297 | 96 575 | 101 253 | 102 157 |
| **Total financial assets** | **120 033** | | **121 290** | **123 533** | **127 717** | **127 679** |
| **Non-financial assets** |  | |  |  |  |  |
| Inventories | 173 | | 176 | 176 | 175 | 171 |
| Non-financial assets held for sale | 405 | | 438 | 355 | 389 | 391 |
| Land, buildings, infrastructure, plant and equipment | 122 018 | | 123 323 | 123 897 | 134 141 | 134 414 |
| Other non-financial assets | 1 944 | | 1 763 | 1 756 | 1 872 | 2 411 |
| **Total non-financial assets** | **124 539** | | **125 700** | **126 184** | **136 577** | **137 386** |
| **Total assets** | **244 573** | | **246 990** | **249 718** | **264 294** | **265 065** |
| **Liabilities** |  | |  |  |  |  |
| Deposits held and advances received | 8 403 | | 8 252 | 7 781 | 6 700 | 5 772 |
| Payables | 5 722 | | 5 542 | 5 902 | 6 713 | 9 143 |
| Borrowings | 29 485 | | 30 995 | 31 902 | 33 506 | 31 974 |
| Employee benefits | 6 329 | | 6 555 | 6 458 | 7 020 | 6 893 |
| Superannuation | 23 903 | | 24 438 | 24 714 | 25 205 | 24 257 |
| Other provisions | 1 043 | | 953 | 880 | 1 034 | 962 |
| **Total liabilities** | **74 884** | | **76 734** | **77 637** | **80 178** | **79 001** |
| **Net assets** | **169 689** | | **170 256** | **172 080** | **184 116** | **186 064** |
| Accumulated surplus/(deficit) | 53 145 | | 52 965 | 54 751 | 52 574 | 54 496 |
| Reserves | 116 544 | | 117 290 | 117 329 | 131 543 | 131 569 |
| **Net worth** | **169 689** | | **170 256** | **172 080** | **184 116** | **186 064** |
|  |  | |  |  |  |  |
| **FISCAL AGGREGATES** |  | |  |  |  |  |
| Net financial worth | 45 150 | | 44 555 | 45 896 | 47 540 | 48 678 |
| Net financial liabilities | 48 335 | | 50 742 | 50 679 | 53 713 | 53 479 |
| Net debt | 17 667 | | 19 109 | 20 524 | 20 003 | 18 677 |

Source: Department of Treasury and Finance

Consolidated cash flow statement for the past five quarters ($ million)

|  | 2017-18 | |  |  |  | 2018-19 |
| --- | --- | --- | --- | --- | --- | --- |
|  | Sep | | Dec | Mar | Jun | Sep |
| **Cash flows from operating activities** |  | |  |  |  |  |
| **Receipts** |  | |  |  |  |  |
| Taxes received | 5 491 | | 5 508 | 5 317 | 6 126 | 5 994 |
| Grants | 6 902 | | 7 325 | 8 160 | 7 606 | 7 927 |
| Sales of goods and services (a) | 1 984 | | 2 092 | 1 937 | 2 004 | 4 984 |
| Interest received | 210 | | 205 | 203 | 224 | 209 |
| Dividends, income tax equivalent and  rate equivalent receipts | 57 | | 420 | 85 | 213 | 82 |
| Other receipts | 469 | | 440 | 240 | 788 | 491 |
| **Total receipts** | **15 114** | | **15 990** | **15 942** | **16 960** | **19 686** |
| **Payments** |  | |  |  |  |  |
| Payments for employees | (5 748) | | (5 480) | (5 796) | (5 729) | (6 211) |
| Superannuation | (529) | | (790) | (794) | (1 091) | (572) |
| Interest paid | (476) | | (515) | (529) | (534) | (514) |
| Grants and subsidies | (2 947) | | (2 508) | (3 466) | (2 494) | (2 908) |
| Goods and services (a) | (5 179) | | (4 805) | (4 544) | (5 203) | (5 694) |
| Other payments | (207) | | (185) | (165) | (199) | (211) |
| **Total payments** | **(15 086)** | | **(14 282)** | **(15 294)** | **(15 250)** | **(16 110)** |
| **Net cash flows from operating activities** | **28** | | **1 708** | **649** | **1 710** | **3 577** |
| **Cash flows from investing activities** |  | |  |  |  |  |
| **Cash flows from investments in non-financial assets** | |  |  |  |  |  |
| Purchases of non-financial assets | (1 881) | | (2 689) | (1 949) | (3 286) | (2 139) |
| Sales of non-financial assets | 45 | | 51 | 121 | 166 | 45 |
| **Net cash flows from investments in  non-financial assets** | **(1 835)** | | **(2 638)** | **(1 828)** | **(3 120)** | **(2 095)** |
| Net cash flows from investments in financial assets for policy purposes | 672 | | 45 | 825 | 3 016 | 729 |
| **Sub-total** | **(1 163)** | | **(2 593)** | **(1 003)** | **(104)** | **(1 365)** |
| Net cash flows from investments in financial assets for liquidity management purposes | (232) | | (193) | (34) | 224 | (35) |
| **Net cash flows from investing activities** | **(1 395)** | | **(2 786)** | **(1 037)** | **120** | **(1 400)** |
| **Cash flows from financing activities** |  | |  |  |  |  |
| Advances received (net) | (707) | | (230) | (648) | (1 075) | (834) |
| Net borrowings | 669 | | 1 075 | 768 | 1 607 | (1 566) |
| Deposits received (net) | 22 | | 79 | 177 | (6) | (94) |
| **Net cash flows from financing activities** | **(16)** | | **924** | **296** | **526** | **(2 494)** |
| **Net increase/(decrease) in cash and cash equivalents** | **(1 384)** | | **(153)** | **(92)** | **2 356** | **(317)** |
| Cash and cash equivalents at beginning of the reporting period | 5 530 | | 4 146 | 3 992 | 3 900 | 6 257 |
| **Cash and cash equivalents at end of the reporting period** | **4 146** | | **3 992** | **3 900** | **6 257** | **5 940** |
|  |  | |  |  |  |  |
| **FISCAL AGGREGATES** |  | |  |  |  |  |
| Net cash flows from operating activities | 28 | | 1 708 | 649 | 1 710 | 3 577 |
| Net cash flows from investments in  non-financial assets | (1 835) | | (2 638) | (1 828) | (3 120) | (2 095) |
| Cash surplus/(deficit) | (1 808) | | (930) | (1 180) | (1 410) | 1 482 |

Source: Department of Treasury and Finance

Note:

(a) These items are inclusive of goods and services tax.

Appendix F – Requirements of the *Financial Management Act 1994*

The *Financial Management Act 1994* (the Act) requires the Minister to prepare a budget update for tabling in Parliament each financial year. The provisions of the Act have been complied with in the *2018‑19 Budget Update*.

Table F.1 details the statements required to be included in this document under the provisions of the Act together with appropriate chapter references.

Table F.1: Statements required by the *Financial Management Act 1994* and their location in the *2018‑19 Budget Update*

|  |  |
| --- | --- |
| Relevant section of the Act and  corresponding requirement | Location |
| **Sections 23 E‑G** |  |
| Statement of financial policy objectives and strategies for the year. | Chapter 1 *Economic and fiscal overview* |
| **Sections 23 H‑N** |  |
| Estimated financial statements for the year comprising:   * an estimated statement of financial performance for the year; * an estimated statement of financial position at the end of the year; * an estimated statement of cash flows for the year; * a statement of the accounting policies on which these statements are based and explanatory notes; and * government decisions and other circumstances that may have a material effect on the estimated financial statements. | Chapter 4 *Estimated financial statements and notes* (estimated consolidated comprehensive operating statement, estimated consolidated balance sheet, estimated consolidated cash flow statement and estimated consolidated statement of changes in equity provided as per AASB 1049)  Appendix A *Specific policy initiatives affecting budget position* |

Table F.1: Statements required by the *Financial Management Act 1994* and their location in the *2018-19 Budget Update (continued)*

|  |  |
| --- | --- |
| Relevant section of the Act and  corresponding requirement | Location |
| Accompanying statement to estimated financial statements which: |  |
| * outlines the material economic assumptions used in preparation of the estimated financial statements; | Chapter 2 *Economic context* and Chapter 4 *Estimated financial statements and notes* |
| * discusses the sensitivity of the estimated financial statements to changes in these assumptions; | Appendix D *Sensitivity analysis* |
| * provides an overview of estimated tax expenditures for the financial years covered by the estimated financial statements; and | Appendix C *Tax expenditures and concessions* |
| * provides a statement of the risks that may have a material effect on the estimated financial statements. | Chapter 2 *Economic context*; Chapter 3 *Budget position and outlook*; and Chapter 6 *Contingent assets and contingent liabilities* |
| **Section 27D(1)(c)** |  |
| A quarterly financial report for the quarter ending on 30 September. | Appendix E *Quarterly Financial Report for the Victorian General Government Sector – September 2018* |

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 variations 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

1 billion 1 000 million

1 basis point 0.01 per cent

.. zero, or rounded to zero

(x xxx.x) negative amount

x xxx.0 rounded amount

201x financial year

Please refer to the **Treasury and Finance glossary for budget and financial reports** at dtf.vic.gov.au for additional terms and references.

If you would like to receive this publication in an accessible format please email information@dtf.vic.gov.au or telephone (03) 9651 1600.

This document is also available in PDF and Word format at [dtf.vic.gov.au](http://www.dtf.vic.gov.au)

1. The results generated in each scenario are mutually exclusive and non-additive. [↑](#footnote-ref-1)
2. VURM is a dynamic computable general equilibrium model of Australia’s six states and two territories, with each region modelled as an economy in its own right. See Adams, P., Dixon, J. and Horridge, M. (2015), ‘The Victoria University Regional Model (VURM): Technical Documentation, Version 1.0’, CoPS/IMPACT Working Paper Number G‑254 for a more detailed description of the model (available from www.copsmodels.com/ftp/workpapr/g-254.pdf). [↑](#footnote-ref-2)
3. The Department of Treasury and Finance maintains a comprehensive set of elasticities covering the relationship between major economic parameters and all revenue and expenditure lines, including superannuation, and dividends and income tax equivalents from the public financial and non-financial corporations. [↑](#footnote-ref-3)
4. The magnitude of the shock to dwelling investment aligns with the difference between the annual growth rate in national dwelling investment in 2007‑08 (1.5 per cent) and 2008‑09 (-3.1 per cent). It is worth noting that the decline in dwelling investment in 2008‑09 was ameliorated by successive reductions to the official cash rate and policy measures introduced by Commonwealth, state and territory governments aimed at stimulating first home buyer activity. [↑](#footnote-ref-4)
5. In the aftermath of the global financial crisis, Australia’s actual consumption was a little more than one per cent below its equilibrium consumption; see KPMG Economics (2017), ‘The Global Financial Crisis: 10 Years On’, August (available from https://assets.kpmg.com/content/dam/kpmg/au/pdf/2017/global-financial-crisis-10-years-on.pdf). [↑](#footnote-ref-5)
6. This model does not consider the second-round effect associated with the change in GST relativity that could occur in response to changes in states’ fiscal capacities. [↑](#footnote-ref-6)
7. The increase in GST revenue reflects the impact of the Victoria‑specific consumption shock on the national GST pool. The model used does not consider second-round effects that could alter Victoria’s GST relativity over the forward estimates. [↑](#footnote-ref-7)