



Victorian Budget 18/19

GETTING THINGS DONE

Statement of Finances

(incorporating Quarterly
Financial Report No. 3)
Budget Paper No. 5
Presented by Tim Pallas MP,
Treasurer of the State of Victoria



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Budget Paper No. 2 Strategy and Outlook
Budget Paper No. 3 Service Delivery
Budget Paper No. 4 State Capital Program
Budget Paper No. 5 Statement of Finances
(incorporating Quarterly Financial Report No. 3)

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Statement of Finances

2018-19



Presented by

Tim Pallas MP

Treasurer of the State of Victoria

for the information of Honourable Members

Budget Paper No. 5

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CHAPTER 1 – ESTIMATED FINANCIAL STATEMENTS FOR THE GENERAL GOVERNMENT SECTOR

The following Estimated Financial Statements and accompanying explanatory notes set out the forecast financial results for the Victorian general government sector for the period 2018-19 to 2021-22.

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

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

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

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

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

ESTIMATED FINANCIAL STATEMENTS STRUCTURE

The Estimated Financial Statements of the Victorian general government sector, prepared in accordance with sections 23H–23K of the *Financial Management Act 1994*, are presented as follows:

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REPORT OF THE AUDITOR-GENERAL



Independent Assurance Report

To the Members of the Parliament of Victoria

My responsibility to you under section 16B of the *Audit Act 1994* is to review the estimated financial statements for the Victorian General Government Sector and provide you with a report of my assurance conclusions.

Scope	<p>I have reviewed the Estimated Financial Statements for the Victorian General Government Sector which comprise the:</p> <ul style="list-style-type: none">• budgeted comprehensive operating statement for the year ending 30 June 2019 and estimated comprehensive operating statement for the three forward years ending 30 June 2020, 2021 and 2022• revised 30 June 2018 balance sheet• budgeted balance sheet as at 30 June 2019 and estimated balance sheet for the three forward years as at 30 June 2020, 2021 and 2022• budgeted cash flow statement for the year ending 30 June 2019 and estimated cash flow statement for the three forward years ending 30 June 2020, 2021 and 2022• budgeted statement of changes in equity for the year ending 30 June 2019 and estimated statement of changes in equity for the three forward years ending 30 June 2020, 2021 and 2022• notes to the estimated financial statements, including significant accounting policies, material economic and other assumptions and other explanatory information• certification by the Treasurer and the Secretary of the Department of Treasury and Finance. <p>The stated basis of preparation used for the estimated financial statements is set out in Note 1.1 to the statements.</p> <p>The estimated financial statements are included in Chapter 1 of <i>Budget Paper 5: Statement of Finances</i> of the 2018–19 State Budget. My review does not include any of the remaining chapters of Budget Paper 5 nor does it include Budget Papers 1 through 4 of the 2018–19 State Budget.</p>
Conclusion	<p>Based on my review, which is not an audit, nothing has come to my attention which causes me to believe that the estimated financial statements:</p> <ul style="list-style-type: none">• have not been prepared on a basis consistent with the accounting policies on which they are stated to be based, as set out in the notes to the estimated financial statements• are not consistent with the targets specified in the current financial policy objectives and strategies statement for each key financial measure specified in that statement set out in Note 1.1 to the estimated financial statements• have not been properly prepared on the basis of the assumptions contained in the accompanying statement prepared in association with the statements under section 23K of the <i>Financial Management Act 1994</i> and as contained in the notes to the estimated financial statements• do not use reasonable methodologies to determine those assumptions.

REPORT OF THE AUDITOR-GENERAL (*continued*)

Basis for Conclusion	<p>I have conducted my review in accordance with the Australian Standard on Assurance Engagements ASAE 3450 <i>Assurance Engagements Involving Corporate Fundraisings and/or Prospective Financial Information</i>. A review is a limited assurance engagement which is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain reasonable assurance that I would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, I do not express a reasonable assurance conclusion (audit opinion).</p> <p>My review consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. I have relied on representations from the Department of Treasury and Finance that all material information concerning the estimated financial statements has been disclosed to me and that the information provided to me for the purpose of my work is true, complete and accurate in all respects.</p> <p>The Treasurer has prepared the estimated financial statements that set out the projected financial performance of the Victorian General Government Sector for 2018–19 State Budget purposes. There is a considerable degree of subjective judgement involved in preparing these statements, including the assumptions, as they relate to future events and/or transactions that the Treasurer expects to occur and actions that the Treasurer expects to take. The estimated financial statements are also subject to uncertainties and contingencies, which are often outside the control of the Treasurer.</p> <p>Actual results may be different from the estimated financial statements since anticipated events and/or transactions may not occur as expected and the variation may be material. I am not responsible for ensuring the estimated financial results are achieved, and I express no opinion as to whether the estimated results will be achieved.</p> <p>The limited assurance conclusion expressed in my assurance report has been formed on the above basis.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Victorian General Government Sector in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my review of the estimated financial statements in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>My responsibilities under the <i>Audit Act 1994</i> and ASAE 3450 are further described in <i>My Responsibilities for the Review of the Estimated Financial Statements</i> section of my report.</p>
Other information	<p>The Treasurer of Victoria is responsible for other information included in the remaining chapters of Budget Paper 5 and Budget Papers 1 through 4 of the 2018-19 State Budget. My review of the estimated financial statements does not cover this other information and accordingly I do not express any form of assurance conclusion on it.</p> <p>As part of my review of the estimated financial statements, I have read the other information and, in doing so, considered whether the other information is materially inconsistent with the estimated financial statements or my knowledge obtained in the review or otherwise appears to be materially misstated. I have nothing to report in this regard.</p>

REPORT OF THE AUDITOR-GENERAL (*continued*)

Treasurer's responsibilities for the estimated financial statements

The Treasurer of Victoria is responsible for the preparation of the estimated financial statements in accordance with sections 23H-23K of the *Financial Management Act 1994*, and for such internal control as is determined necessary to enable the preparation of the estimated financial statements.


My responsibilities for the review of the estimated financial statements

As required by the *Audit Act 1994*, my responsibility is to state whether, on the basis of my review, anything has come to my attention that would cause me to believe:

- the estimated financial statements have not been prepared on a basis consistent with the accounting policies on which they are stated to be based, as set out in the notes to the estimated financial statements
- the estimated financial statements are not consistent with the targets specified in the current financial policy objectives and strategies statement for each key financial measure specified in that statement set out in Note 1.1 to the estimated financial statements
- the estimated financial statements have not been properly prepared on the basis of the assumptions contained in the accompanying statement prepared in association with the statements under section 23K of the *Financial Management Act 1994* and as contained in the notes to the estimated financial statements
- the methodologies used to determine those assumptions are not reasonable.

I do not accept any responsibility for any reliance on these estimated financial statements for any purpose other than that for which it was prepared.

MELBOURNE
27 April 2018



Andrew Greaves
Auditor-General

CERTIFICATION BY THE TREASURER AND THE DEPARTMENT OF TREASURY AND FINANCE

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

In our opinion, the Estimated Financial Statements, which comprise the estimated general government sector comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity, together with the notes to the estimated financial statements for the year ended 30 June 2019 and the three forward years ending 30 June 2020, 2021 and 2022:

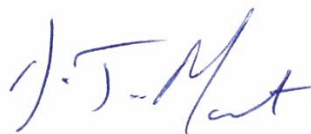
- (a) have been prepared in accordance with sections 23H–23K of the *Financial Management Act 1994*, having regard to relevant Australian Accounting Standards and pronouncements, and in the absence of an Australian Accounting Standard for the preparation of prospective financial statements, New Zealand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

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



Tim Pallas MP
Treasurer

27 April 2018



David Martine
Secretary

ESTIMATED GENERAL GOVERNMENT SECTOR COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2018-19 budget</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>
Revenue from transactions					
Taxation revenue	1.2.1	24 081	25 245	26 074	27 483
Interest revenue		864	858	833	824
Dividends, income tax equivalent and rate equivalent revenue	1.2.2	922	511	564	552
Sales of goods and services	1.2.3	7 541	8 275	8 450	8 621
Grant revenue	1.2.4	33 458	33 107	34 002	34 778
Other revenue	1.2.5	2 622	2 622	2 687	2 747
Total revenue from transactions		69 487	70 617	72 609	75 004
Expenses from transactions					
Employee expenses		25 562	26 354	27 302	28 288
Net superannuation interest expense	1.3.2	662	634	604	574
Other superannuation	1.3.2	2 676	2 733	2 795	2 906
Depreciation	1.4.2	2 876	3 036	3 337	3 507
Interest expense	1.5.3	2 167	2 211	2 275	2 319
Grant expense	1.3.3	12 901	13 966	13 674	13 991
Other operating expenses	1.3.4	21 264	19 713	19 906	20 528
Total expenses from transactions	1.3.5	68 108	68 646	69 894	72 114
Net result from transactions – net operating balance		1 380	1 971	2 715	2 891
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		77	278	112	111
Net gain/(loss) on financial assets or liabilities at fair value		27	(5)	32	26
Other gains/(losses) from other economic flows	1.7.1	(345)	(356)	(345)	(363)
Total other economic flows included in net result		(242)	(83)	(202)	(226)
Net result		1 137	1 888	2 514	2 665

ESTIMATED FINANCIAL STATEMENTS

**ESTIMATED GENERAL GOVERNMENT SECTOR
COMPREHENSIVE OPERATING STATEMENT (*continued*)**

For the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2018-19 budget</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		699	6 859	1 441	3 797
Remeasurement of superannuation defined benefit plans	1.3.2	1 014	1 032	1 048	1 062
Other movements in equity		(9)	(9)	(13)	9
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		2	2	2	2
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	1.6.1	34	913	291	(446)
Total other economic flows – other comprehensive income		1 741	8 796	2 768	4 424
Comprehensive result – total change in net worth		2 878	10 684	5 282	7 088
KEY FISCAL AGGREGATES					
Net operating balance		1 380	1 971	2 715	2 891
Less: Net acquisition of non-financial assets from transactions	1.3.7	1 921	2 557	2 189	1 294
Net lending/(borrowing)		(541)	(586)	526	1 597

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	2018 revised	2019 budget	2020 estimate	2021 estimate	2022 estimate
Assets						
Financial assets						
Cash and deposits		4 565	4 632	4 784	4 824	4 848
Advances paid	1.5.2	9 871	8 141	6 373	5 109	4 553
Receivables		5 484	5 740	5 996	6 297	6 604
Investments, loans and placements	1.5.2	3 858	4 128	4 611	4 848	5 124
Investments accounted for using equity method		47	47	47	47	47
Investments in other sector entities	1.6.1	96 747	102 530	106 230	108 168	110 148
Total financial assets		120 572	125 219	128 041	129 293	131 325
Non-financial assets						
Inventories		175	179	184	188	192
Non-financial assets held for sale		295	297	298	299	300
Land, buildings, infrastructure, plant and equipment	1.4.1	124 602	127 262	135 895	138 179	142 290
Other non-financial assets	1.4.4	1 650	1 756	2 791	4 223	4 928
Total non-financial assets		126 722	129 494	139 168	142 889	147 710
Total assets	1.4.5	247 295	254 713	267 209	272 182	279 035
Liabilities						
Deposits held and advances received		6 279	4 248	2 751	1 541	937
Payables	1.6.2	5 782	7 707	7 450	7 178	6 431
Borrowings	1.5.1	31 640	36 992	41 040	43 067	44 954
Employee benefits	1.3.1	6 788	7 140	7 457	7 752	8 051
Superannuation	1.6.3	24 235	23 195	22 111	20 991	19 938
Other provisions		949	932	1 217	1 187	1 170
Total liabilities		75 674	80 214	82 025	81 717	81 481
Net assets		171 621	174 499	185 183	190 465	197 553
Accumulated surplus/(deficit)		53 509	55 665	58 577	62 127	65 863
Reserves		118 112	118 834	126 606	128 338	131 691
Net worth		171 621	174 499	185 183	190 465	197 553
FISCAL AGGREGATES ^(a)						
Net financial worth		44 898	45 005	46 016	47 576	49 844
Net financial liabilities		51 848	57 525	60 214	60 592	60 305
Net debt		19 625	24 339	28 023	29 827	31 366

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) The fiscal aggregates are defined in Note 9.9 of the 2016-17 Financial Report.

ESTIMATED FINANCIAL STATEMENTS

ESTIMATED GENERAL GOVERNMENT SECTOR
CASH FLOW STATEMENT

For the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2018-19 budget</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>
Cash flows from operating activities					
Receipts					
Taxes received		23 907	24 931	25 742	27 138
Grants		33 458	33 107	34 002	34 778
Sales of goods and services ^(a)		10 086	8 961	9 156	9 346
Interest received		864	857	833	823
Dividends, income tax equivalent and rate equivalent receipts		861	505	558	546
Other receipts		2 168	2 149	2 209	2 257
Total receipts		71 343	70 510	72 500	74 889
Payments					
Payments for employees		(25 213)	(26 039)	(27 010)	(27 992)
Superannuation		(3 364)	(3 419)	(3 471)	(3 472)
Interest paid		(2 130)	(2 174)	(2 233)	(2 278)
Grants and subsidies		(13 158)	(14 781)	(15 245)	(14 822)
Goods and services ^(a)		(21 141)	(19 722)	(19 905)	(20 677)
Other payments		(787)	(816)	(860)	(829)
Total payments		(65 792)	(66 952)	(68 723)	(70 071)
Net cash flows from operating activities		5 551	3 558	3 777	4 818
Cash flows from investing activities					
Purchase of non-financial assets	1.3.6	(10 091)	(7 889)	(6 753)	(6 456)
Sales of non-financial assets		368	675	399	401
Net cash flows from investments in non-financial assets		(9 723)	(7 214)	(6 353)	(6 055)
Net cash flows from investments in financial assets for policy purposes ^(b)		1 624	2 751	2 527	693
Subtotal		(8 099)	(4 463)	(3 826)	(5 362)
Net cash flows from investment in financial assets for liquidity management purposes		(248)	(423)	(176)	(248)
Net cash flows from investing activities		(8 347)	(4 886)	(4 002)	(5 610)
Cash flows from financing activities					
Advances received (net)		(2 031)	(1 497)	(1 210)	(603)
Net borrowings		4 895	2 976	1 475	1 419
Net cash flows from financing activities		2 864	1 478	265	816
Net increase/(decrease) in cash and cash equivalents		68	151	40	24
Cash and cash equivalents at beginning of reporting period		4 565	4 632	4 784	4 824
Cash and cash equivalents at end of reporting period		4 632	4 784	4 824	4 848

ESTIMATED GENERAL GOVERNMENT SECTOR CASH FLOW STATEMENT *(continued)*

For the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2018-19 budget</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities		5 551	3 558	3 777	4 818
Net cash flows from investments in non-financial assets		(9 723)	(7 214)	(6 353)	(6 055)
Cash surplus/(deficit)		(4 172)	(3 656)	(2 576)	(1 237)

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) Includes net advances to public non-financial corporations for policy purposes of \$1 787 million in 2018-19, \$1 547 million in 2019-20, \$1 205 million in 2020-21 and \$559 million in 2021-22.

ESTIMATED FINANCIAL STATEMENTS

ESTIMATED GENERAL GOVERNMENT SECTOR STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-financial assets revaluation surplus</i>
2018-19 budget		
Balance at 1 July 2018	53 509	56 366
Net result for the year	1 137	..
Other comprehensive income for the year	1 019	699
Total equity as at 30 June 2019	55 665	57 066
2019-20 estimate		
Balance at 1 July 2019	55 665	57 066
Net result for the year	1 888	..
Other comprehensive income for the year	1 024	6 859
Total equity as at 30 June 2020	58 577	63 925
2020-21 estimate		
Balance at 1 July 2020	58 577	63 925
Net result for the year	2 514	..
Other comprehensive income for the year	1 036	1 441
Total equity as at 30 June 2021	62 127	65 365
2021-22 estimate		
Balance at 1 July 2021	62 127	65 365
Net result for the year	2 665	..
Other comprehensive income for the year	1 071	3 797
Total equity as at 30 June 2022	65 863	69 163

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

ESTIMATED FINANCIAL STATEMENTS

<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
61 070	676	171 621
..	..	1 137
34	(12)	1 741
61 104	664	174 499
61 104	664	174 499
..	..	1 888
913	..	8 796
62 017	664	185 183
62 017	664	185 183
..	..	2 514
291	..	2 768
62 309	664	190 465
62 309	664	190 465
..	..	2 665
(446)	1	4 424
61 863	665	197 553

1.1 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 2016-17 annual financial report published in the *2016-17 Financial Report* for the State of Victoria as presented to Parliament. The audited 30 June 2017 asset and liability balances, as reported in the *2016-17 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 1.7.6 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 2016-17 *Financial Report* for the State of Victoria.

Compliance

These Estimated Financial Statements have been prepared in accordance with sections 23H-23K of the *Financial Management Act 1994*, having regard to AASs, which 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 and other relevant AASs. However, the prospective nature of these Estimated Financial Statements means that some AAS disclosures are neither relevant nor practical and have been omitted. Where applicable, those AAS paragraphs relevant to not-for-profit entities have been applied. Because AASs do not prescribe requirements for preparing and presenting prospective financial statements, the Estimated Financial Statements have been prepared having regard to the principles set out in New Zealand Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements*.

The 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 the Estimated Financial Statements 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 23 April 2018.

Key financial measure

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

For the *2018-19 Budget*, the Government has set its sustainability objectives as:

- net operating surpluses in each year over the next four years;
- expenditure growth will be no greater than revenue growth, on average, over the next four years; and
- net debt to gross state product will be no greater than its peak over the past five years by the end of the forward estimates.

Material economic assumptions

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

Key economic assumptions ^(a)

	2017-18 forecast	2018-19 forecast	2019-20 forecast	2020-21 projection	2021-22 projection
					(\$ billion)
Nominal gross state product	426.7	447.8	471.6	496.8	523.0
					(percentage change)
Real gross state product	3.00	2.75	2.75	2.75	2.75
Employment	2.75	2.00	1.75	1.75	1.75
Unemployment rate ^(b)	5.75	5.75	5.50	5.50	5.50
Consumer price index ^(c)	2.00	2.25	2.50	2.50	2.50
Wage price index ^(d)	2.25	2.50	2.75	3.00	3.25
Population ^(e)	2.30	2.20	2.10	2.00	2.00

Source: Department of Treasury and Finance

Notes:

(a) Year-average growth, except for 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 by 2021-22, 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 64.3; and oil prices that follow the path suggested by the futures market.

(b) Year average.

(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.

Sensitivity analysis

Appendix A *Sensitivity analysis* contained in Budget Paper No. 2 provides two types of sensitivity analysis. First, two economic scenarios representing key risks to the economic outlook are discussed and the expected impact on major revenue and expenditure lines are quantified. Second, the fiscal impact of independent variations in major economic parameters is considered for the general government sector.

1.2 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

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1.2.1 Taxation revenue

(\$ million)

	2018-19 budget	2019-20 estimate	2020-21 estimate	2021-22 estimate
Taxes on employers' payroll and labour force	6 193	6 532	6 831	7 239
Taxes on immovable property				
Land tax	3 093	3 386	3 506	3 871
Fire Services Property Levy ^(a)	642	698	719	738
Congestion levy	122	124	125	127
Metropolitan improvement levy	169	174	178	182
Total taxes on property	4 026	4 381	4 528	4 918
Gambling taxes				
Public lotteries	418	423	425	426
Electronic gaming machines	1 119	1 139	1 159	1 179
Casino	237	245	253	260
Racing	70	67	63	59
Other	32	36	39	43
Financial and capital transactions ^(b)				
Land transfer duty	7 067	7 212	7 463	7 773
Metropolitan Planning Levy	26	26	27	28
Financial accommodation levy	174	192	208	224
Growth areas infrastructure contributions	238	272	304	335
Levies on statutory corporations ^(c)	157	157	..	..
Taxes on insurance	1 367	1 463	1 553	1 648
Total taxes on the provision of goods and services	10 904	11 230	11 495	11 976
Motor vehicle taxes				
Vehicle registration fees	1 676	1 786	1 866	1 956
Duty on vehicle registrations and transfers	975	1 010	1 046	1 083
Liquor licence fees	24	24	25	25
Other	283	281	284	286
Total taxes on the use of goods and performance of activities	2 957	3 101	3 220	3 350
Total taxation revenue	24 081	25 245	26 074	27 483

Source: Department of Treasury and Finance

Notes:

- The 2018-19 revenue estimate is \$20 million lower than the 2017-18 Budget Update due to the Government's decision to cap the levy collection for 2017-18 and 2018-19 at \$662 million, the amount collected in 2016-17. This will result in returning the 2017-18 over-collection through reduced rates for the 2018-19 levy year. From 2019-20 the forecasts assume that revenue will be collected as per the provisions of the Fire Services Property Levy Act 2012. Levy rates for 2019-20 will be determined by the Treasurer in May 2019.
- Financial and capital transactions have been reclassified from 'taxes on property' to 'taxes on the provision of goods and services' consistent with the classification required under the new 2015 ABS GFS manual. This has been implemented for the first time in the 2018-19 Budget.
- The fourth tranche of the environmental contribution levy commenced on 1 July 2016 for a period of four years concluding on 30 June 2020.

The State's taxation revenue is forecast by:

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

1.2.2 Dividends, income tax equivalent and rate equivalent revenue	(\$ million)			
	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Dividends from PFC sector	507	70	80	73
Dividends from PNFC sector	160	123	144	170
Dividends from non-public sector	31	32	34	35
Dividends	698	225	258	278
Income tax equivalent revenue from PFC sector	31	93	85	53
Income tax equivalent revenue from PNFC sector	186	185	214	213
Income tax equivalent revenue	217	278	299	266
Local government rate equivalent revenue	7	8	7	7
Total dividends, income tax equivalent and rate equivalent revenue	922	511	564	552

Source: Department of Treasury and Finance

Dividends and income tax equivalent revenue are mainly from the PNFC and PFC sectors. These revenues are forecast based on the State's dividend policy and expected profitability as forecast by the PNFCs and PFCs at the time of the Budget.

While most government departments and agencies are exempt from federal income tax, certain larger PNFC and PFC entities are subject to income tax equivalents payable to the general government sector in accordance with the National Tax Equivalent Regime (NTER). The primary objective of the NTER is to promote competitive neutrality, through uniformly applying income tax laws, between NTER entities and their privately held counterparts.

Dividends by entity ^(a)

(\$ million)

	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Public financial corporations				
Victorian Managed Insurance Authority ^(b)	408	34	41	34
Treasury Corporation of Victoria	91	30	34	34
State Trustees Ltd	4	2	2	2
Victorian Funds Management Corporation	4	3	3	3
WorkSafe Victoria	..	..	..	..
Dividends from PFC sector	507	70	80	73
Public non-financial corporations				
City West Water Corporation	26	13	17	23
Melbourne Water Corporation	12	3	..	..
South East Water Corporation	56	41	44	46
Yarra Valley Water Corporation	34	17	26	33
Development Victoria	29	44	51	62
Other	3	4	5	6
Dividends from PNFC sector	160	123	144	170

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 \$331 million in 2018-19, \$383 million in 2019-20, \$407 million in 2020-21 and \$500 million in 2021-22.

(b) The 2018-19 Budget amount includes a VMIA dividend payment deferred from 2017-18.

1.2.3 Sales of goods and services

(\$ million)

	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Motor vehicle regulatory fees	225	234	266	300
Other regulatory fees	539	546	558	566
Sale of goods	89	93	97	99
Provision of services ^(a)	4 342	4 940	5 041	5 153
Rental	78	80	82	84
Refunds and reimbursements	11	11	11	11
Inter-sector capital asset charge	2 257	2 371	2 395	2 408
Total sales of goods and services	7 541	8 275	8 450	8 621

Source: Department of Treasury and Finance

Note:

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

Revenue from the sale of goods and the supply of services is forecast by taking into account known factors, for example, indexation as provided for under the *Monetary Units Act 2004*.

The inter-sector capital asset charge is a levy on controlled non-current physical assets, and represents the opportunity cost of capital used in service delivery. At the general government level, this charge is levied on PNFC entities, and is forecast on the estimated carrying amount of applicable non-financial physical assets.

1.2.4 Grant revenue

(\$ million)

	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
General purpose grants	16 881	17 470	18 112	18 420
Specific purpose grants for on-passing	3 997	4 214	4 460	4 632
Grants for specific purposes	11 847	10 600	10 810	11 049
Total	32 725	32 285	33 382	34 100
Other contributions and grants	733	822	620	678
Total grant revenue	33 458	33 107	34 002	34 778

Source: Department of Treasury and Finance

Grant revenue comprise mainly contributions from the Commonwealth to assist in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on-passing to other recipients. Grant revenue also includes grants from other jurisdictions.

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

Forecasts of goods and services tax (GST) grants are based on Victoria's assessment of the national GST pool. For the *2018-19 Budget*, Victoria's share of GST is informed by its assessed relativity in 2018-19 as published by the Commonwealth Grants Commission, and Victoria's projections of other state and territory populations.

Beyond 2018-19, Victoria's estimated share of the GST pool is based on the projected fiscal capacity of each state and territory that is estimated using information sourced from state and territory budgets' and Victoria's projections of each state and territory's population.

1.2.5 Other revenue

(\$ million)

	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Fair value of assets received free of charge or for nominal consideration	69	70	58	58
Fines	785	818	836	855
Royalties	100	102	105	107
Donations and gifts	313	311	338	346
Other non-property rental	27	28	29	30
Other revenue – Education	643	659	675	692
Other revenue – Health	49	51	53	54
Other miscellaneous revenue	637	583	594	604
Total other revenue	2 622	2 622	2 687	2 747

Source: Department of Treasury and Finance

Other revenue is received from a variety of miscellaneous sources and is forecast based on historical trends and expectations. Fines are collected from road safety cameras, toll road evasions, on-the-spot infringements, court and other (non-traffic) statutory infringements. Other education revenue mainly comprises locally raised funds held by schools from school fetes, fundraising events and voluntary contributions made by parents. Other health revenue mainly comprises research funding from non-government organisations and non-salary cost recovery from external organisations in the health sector.

1.3 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

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1.3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses and employee benefits are forecast on the basis of estimated staffing profiles and estimated salaries, conditions and on costs. For the forecast period, employee expenses and employee benefits include 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)

	2018 <i>revised</i>	2019 <i>budget</i>	2020 <i>estimate</i>	2021 <i>estimate</i>	2022 <i>estimate</i>
Current					
Accrued salaries and wages	509	525	540	556	570
Other employee benefits	64	64	64	64	64
Annual leave	1 536	1 571	1 608	1 645	1 682
Long service leave	3 780	3 966	4 112	4 260	4 409
Total current employee benefits and on-costs	5 889	6 126	6 324	6 524	6 725
Non-current					
Long service leave	899	1 014	1 133	1 228	1 326
Total non-current employee benefits and on-costs	899	1 014	1 133	1 228	1 326
Total employee benefits	6 788	7 140	7 457	7 752	8 051

Source: Department of Treasury and Finance

1.3.2 Superannuation expense and other superannuation expenses

Superannuation expense recognised in the operating statement		(\$ million)			
	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>	
Defined benefit plans					
Net superannuation interest expense	662	634	604	574	
Current service cost	918	917	915	955	
Remeasurements:					
Expected return on superannuation assets excluding interest income	(1 014)	(1 032)	(1 048)	(1 062)	
Total expense recognised in respect of defined benefit plans	566	519	471	467	
Defined contribution plans					
Employer contributions to defined contribution plans	1 686	1 743	1 805	1 876	
Other (including pensions)	71	73	75	76	
Total expense recognised in respect of defined contribution plans	1 758	1 816	1 880	1 952	
Total superannuation (gain)/expense recognised in operating statement	2 324	2 335	2 352	2 419	
Represented by:					
Net superannuation interest expense	662	634	604	574	
Other superannuation	2 676	2 733	2 795	2 906	
Superannuation expense from transactions	3 338	3 367	3 399	3 481	
Remeasurements recognised in other comprehensive income	(1 014)	(1 032)	(1 048)	(1 062)	
Total superannuation expense recognised in operating statement	2 324	2 335	2 352	2 419	

Source: Department of Treasury and Finance

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

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

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

Superannuation assumptions	(per cent)
<i>Underlying assumptions for all listed schemes ^(a)</i>	
Discount rate ^(b)	2.8
Wages growth ^(c)	3.3
Inflation rate ^(d)	1.8
<i>Expected return on assets ^(e)</i>	
Emergency Services and State Super	8.0
Health Super Fund Defined Benefit Scheme	5.7
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 note, 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.

1.3.3 Grant expense

(\$ million)

	2018-19 budget	2019-20 estimate	2020-21 estimate	2021-22 estimate
Current grant expense				
Commonwealth Government ^(a)	1 755	2 785	2 867	2 944
Local government (including grants for on-passing)	1 212	859	850	841
Private sector and not-for-profit for on-passing	3 404	3 596	3 814	3 979
Other private sector and not-for-profit	2 534	2 805	2 422	2 593
Grants within the Victorian Government	3 707	3 644	3 577	3 573
Grants to other state governments	21	21	21	21
Total current grant expense	12 633	13 709	13 551	13 950
Capital grant expense				
Local government (including grants for on-passing)	83	58	7	..
Private sector and not-for-profit on-passing	115	135	110	35
Other private sector and not-for-profit	4	4	4	4
Grants within the Victorian Government	44	16	2	1
Other grants	22	44	..	..
Total capital grant expense	268	257	123	40
Total grant expense	12 901	13 966	13 674	13 991

Source: Department of Treasury and Finance

Note:

(a) The increase in Commonwealth grant expense is largely driven by the State's contribution to the National Disability Insurance Scheme (NDIS).

Grants and other transfer payments include grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to the Commonwealth Government, local government, non-government schools and community groups, and grants and transfer payments to PNFCs and PFCs. These amounts are forecast on the basis of known activity and adjusted by the appropriate economic parameters. Where payments are tied to third party revenue, such as Commonwealth grants for on-passing, forecasts are based on estimated receipts.

1.3.4 Other operating expenses

(\$ million)

	2018-19 budget	2019-20 estimate	2020-21 estimate	2021-22 estimate
Purchase of supplies and consumables ^(a)	6 159	5 765	6 184	6 579
Cost of goods sold	30	30	31	32
Finance expenses and fees	32	32	32	32
Purchase of services ^{(a)(b)}	12 702	11 538	11 230	11 461
Insurance claims expense	267	268	275	283
Maintenance	904	882	911	923
Operating lease payments	339	337	338	342
Other	832	861	905	876
Total other operating expenses	21 264	19 713	19 906	20 528

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 driven by 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.

Other operating expenses generally represent the day-to-day running costs incurred in normal operations, and mainly include the purchase of supplies and consumables and the purchase of services. Supplies and services expenses are forecast on the basis of experience and known activity changes, including consideration of government policy such as efficiency measures, changes in the method of service delivery and appropriate economic parameters.

An allowance is made for emerging demand that may arise over the next four years.

Purchase of supplies and consumables

(\$ million)

	2018-19	2019-20	2020-21	2021-22
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Medicinal pharmacy and medical supplies	1 545	1 563	1 593	1 624
Office supplies and consumables	185	180	180	182
Specialised operational supplies and consumables	133	128	137	134
Other purchase of supplies and consumables	4 295	3 895	4 274	4 638
Total purchase of supplies and consumables	6 159	5 765	6 184	6 579

Source: Department of Treasury and Finance

Purchase of services

(\$ million)

	2018-19	2019-20	2020-21	2021-22
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Service contracts ^(a)	7 196	6 728	6 594	6 879
Accommodation/occupancy	855	830	849	865
Medical and client care services	385	389	393	397
Staff related expenses (non-labour related)	254	242	242	242
Other purchase of services	4 012	3 350	3 152	3 078
Total purchase of services	12 702	11 538	11 230	11 461

Source: Department of Treasury and Finance

Note:

(a) The reduction in service contracts in 2019-20 is largely driven by 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.

1.3.5 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	2019-20 estimate	2020-21 estimate	2021-22 estimate
Expenses				
General public services	3 968	3 816	3 737	3 871
Public order and safety	8 144	8 224	8 631	8 964
Economic affairs	1 951	1 678	1 050	942
Environmental protection	766	724	698	669
Housing and community amenities	2 421	2 073	1 911	1 885
Health	19 634	20 287	21 229	22 129
Recreation, culture and religion	922	655	593	533
Education	16 436	16 486	16 800	17 562
Social protection ^(b)	6 136	6 635	6 778	6 824
Transport	8 260	8 013	8 168	8 159
Not allocated by purpose ^(c)	(529)	55	298	574
Total expenses by classification of the functions of government	68 108	68 646	69 894	72 114

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 has been implemented for the first time in the 2018-19 Budget. Note 1.7.5 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 comprises the 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	2019-20 estimate	2020-21 estimate	2021-22 estimate
Expenses from transactions				
Economic Development, Jobs, Transport and Resources	10 645	9 776	9 710	9 565
Education and Training	18 345	18 327	18 469	19 078
Environment, Land, Water and Planning	3 581	3 413	2 756	2 634
Health and Human Services	26 926	27 520	27 946	28 419
Justice and Regulation	7 616	7 595	7 767	7 901
Premier and Cabinet	764	550	438	395
Treasury and Finance	7 444	7 207	7 216	7 322
Parliament	230	228	231	233
Courts	658	679	687	720
Regulatory bodies and other part funded agencies ^(a)	2 268	2 249	2 303	2 314
Output contingencies not allocated to departments ^(b)	1 325	1 794	2 912	4 033
Total expenses by department	79 801	79 338	80 435	82 615
<i>Less eliminations and adjustments ^(c)</i>	<i>(11 693)</i>	<i>(10 692)</i>	<i>(10 541)</i>	<i>(10 501)</i>
Total expenses	68 108	68 646	69 894	72 114

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 payroll tax, capital asset charge, departmental underspend estimates and inter-departmental transfers.

General government output contingencies not allocated to departments

(\$ million)

	2018-19 budget	2019-20 estimate	2020-21 estimate	2021-22 estimate
Decisions made but not yet allocated ^(a)	1 225	1 594	2 562	3 533
Funding not allocated to specific purposes ^(b)	100	200	350	500
Total general government output contingencies	1 325	1 794	2 912	4 033

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, justice 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.

1.3.6 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	2019-20 estimate	2020-21 estimate	2021-22 estimate
General public services	63	44	34	34
Public order and safety	1 099	822	660	289
Economic affairs	19	35	26	21
Environmental protection	121	111	45	43
Housing and community amenities	94	71	65	49
Health	1 019	534	536	259
Recreation, culture and religion	140	113	42	39
Education	1 580	793	393	213
Social protection	110	101	94	76
Transport	7 008	5 478	3 649	3 009
Not allocated by purpose ^(b)	(1 165)	(214)	1 208	2 425
Total purchases of non-financial assets	10 091	7 889	6 753	6 456

Source: Department of Treasury and Finance

Notes:

- (a) The COFOG framework has replaced the former GPC framework under the new ABS GFS Manual. This has been implemented for the first time in the 2018-19 Budget. Note 1.7.5 provides definitions and descriptions of the COFOG.
- (b) Estimated amount available to be allocated to departments and projects in future budgets, including for major capital investment. This includes departmental spending, which may be subject to carryover.

Purchases of non-financial assets by portfolio department

(\$ million)

	2018-19 budget	2019-20 estimate	2020-21 estimate	2021-22 estimate
Economic Development, Jobs, Transport and Resources	5 590	3 781	2 281	1 082
Education and Training	1 637	801	401	220
Environment, Land, Water and Planning	186	148	97	74
Health and Human Services	1 207	576	580	388
Justice and Regulation	607	401	211	95
Premier and Cabinet	25	14	11	11
Treasury and Finance	37	33	24	24
Parliament	4	..	..	..
Courts	109	21	7	5
Regulatory bodies and other part funded agencies ^(a)	253	165	130	109
Asset contingencies not allocated to departments ^(b)	1 640	2 614	2 707	3 241
Adjustments ^(c)	(1 204)	(665)	302	1 206
Total purchases of non-financial assets	10 091	7 889	6 753	6 456

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 sector asset contingencies not allocated to departments.
- (c) Mainly comprises estimated departmental underspend, which may be subject to carryover and estimated outer budget agency underspend.

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

	2018-19	2019-20	2020-21	2021-22
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Decisions made but not yet allocated ^(a)	1 640	2 314	2 107	2 341
Funding not allocated to specific purposes ^(b)	..	300	600	900
Total general government asset contingencies	1 640	2 614	2 707	3 241

Source: Department of Treasury and Finance

Notes:

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

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

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

	2018-19	2019-20	2020-21	2021-22
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Purchases of non-financial assets (including change in inventories)	10 095	7 893	6 757	6 461
Less: Sale of non-financial assets	(368)	(675)	(399)	(401)
Less: Depreciation and amortisation	(2 876)	(3 036)	(3 337)	(3 507)
Less: Other movements in non-financial assets ^{(a)(b)}	(4 931)	(1 626)	(831)	(1 259)
Total net acquisition of non-financial assets from transactions	1 921	2 557	2 189	1 294

Source: Department of Treasury and Finance

Notes:

(a) The other movements in non-financial assets includes transferring 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 relate to the High Capacity Metro Trains (HCMT) Project, the Western Roads Upgrade, the Melbourne Convention and Exhibition Centre - Stage 2 development, the Casey Hospital expansion, the Northern Roads Upgrade and the South Eastern Roads Upgrade.

1.4 MAJOR ASSETS AND INVESTMENTS

Introduction

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

Structure

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1.4.5	Total assets by classification of the functions of government.....	35

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

	2018	2019	2020	2021	2022
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Buildings	28 923	30 295	30 605	31 859	34 473
Leased buildings	5 499	5 324	5 149	4 976	4 796
Land and national parks	51 027	51 508	54 934	55 240	57 002
Infrastructure systems	1 387	1 442	1 455	1 433	1 402
Plant, equipment and vehicles	2 475	2 485	2 292	1 982	1 599
Leased plant, equipment and vehicles	161	144	127	108	91
Roads and roads infrastructure	20 903	21 571	24 821	25 103	25 332
Leased roads and roads infrastructure	556	579	1 355	1 506	1 554
Earthworks	8 054	8 305	9 555	9 701	9 761
Cultural assets	5 616	5 609	5 602	6 271	6 280
Total land, buildings, infrastructure, plant and equipment	124 602	127 262	135 895	138 179	142 290

Source: Department of Treasury and Finance

Land, buildings, infrastructure, plant and equipment are estimated based on their audited balances as at 30 June 2017, which are adjusted for estimated acquisitions, disposals and the impact of depreciation and revaluation.

Where an asset has been identified as surplus to the needs of the entity and is not in use, the asset is valued at disposal value. New investments in assets are valued at the forecast purchase price and, where appropriate, recognised progressively over the estimated construction period.

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

1.4.2 Depreciation

(\$ million)

	2018-19	2019-20	2020-21	2021-22
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Buildings ^(a)	1 198	1 289	1 377	1 465
Leasehold buildings	195	195	195	195
Infrastructure systems	37	38	40	40
Plant, equipment and vehicles ^(a)	624	627	664	665
Leased plant, equipment and vehicles	17	17	17	17
Roads and road infrastructure ^(a)	624	683	843	920
Leased roads and road infrastructure	9	10	23	23
Cultural assets	26	24	23	22
Intangible produced assets ^(b)	145	153	155	160
Total depreciation	2 876	3 036	3 337	3 507

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.

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

1.4.3 Reconciliation of movements in land, buildings, infrastructure, plant and equipment ^(a)

(\$ million)

	2017-18	2018-19	2019-20	2020-21	2021-22
	<i>revised</i>	<i>budget</i>	<i>estimates</i>	<i>estimates</i>	<i>estimates</i>
Carrying amount at the start of the year	121 776	124 602	127 262	135 895	138 179
Additions ^(b)	10 217	10 586	8 845	7 208	6 482
Disposals at written down value	(350)	(263)	(380)	(254)	(280)
Revaluations	618	700	6 860	1 441	3 797
Asset transfers ^(c)	(5 046)	(5 632)	(3 809)	(2 929)	(2 542)
Depreciation expense	(2 613)	(2 730)	(2 883)	(3 182)	(3 347)
Carrying amount at the end of the year	124 602	127 262	135 895	138 179	142 290

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

1.4.4 Other non-financial assets (\$ million)

	2018	2019	2020	2021	2022
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Intangible produced assets	1 789	1 807	1 775	1 766	1 780
Accumulated depreciation	(1 002)	(1 126)	(1 236)	(1 367)	(1 502)
Intangible non-produced assets	118	118	118	118	118
Accumulated amortisation	(35)	(37)	(40)	(43)	(45)
Total intangibles	870	761	617	474	350
Investment properties	164	162	154	153	145
Biological assets	4	6	7	9	10
Other assets	612	828	2 013	3 587	4 422
Total other non-financial assets	1 650	1 756	2 791	4 223	4 928

Source: Department of Treasury and Finance

Intangible produced assets may include computer software or research and development costs. Non-produced intangibles are intangible assets needed for production that have not themselves been produced, such as patents. These amounts are estimated based on their audited balances as at 30 June 2017, which are adjusted for estimated acquisitions, disposals and amortisation.

Other non-financial assets include prepayments, which are payments in advance of the receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

1.4.5 Total assets by classification of the functions of government ^(a) (\$ million)

	2018	2019	2020	2021	2022
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
General public services	2 144	2 049	2 014	1 992	2 002
Public order and safety	9 453	10 056	10 574	10 836	10 609
Economic affairs	1 130	936	917	888	854
Environmental protection	10 256	10 266	11 365	11 714	11 699
Housing and community amenities	1 815	1 773	1 747	1 774	1 810
Health	14 181	14 301	13 894	13 460	12 726
Recreation, culture and religion	7 138	7 210	7 297	7 336	7 358
Education	24 087	25 191	25 462	25 321	28 596
Social protection	2 376	3 101	3 181	3 232	3 243
Transport	54 948	56 571	65 112	68 530	69 044
Not allocated by purpose ^(b)	119 767	123 261	125 647	127 098	131 093
Total assets	247 295	254 713	267 209	272 182	279 035

Source: Department of Treasury and Finance

Notes:

(a) The COFOG framework has replaced the former GPC framework under the new ABS GFS Manual. This has been implemented for the first time in the 2018-19 Budget. Note 1.7.5 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.

1.5 FINANCING STATE OPERATIONS

Introduction

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

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

Structure

1.5.1	Borrowings	36
1.5.2	Advances paid and investments, loans and placements	37
1.5.3	Interest expense.....	38

1.5.1 Borrowings

(\$ million)

	2018	2019	2020	2021	2022
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Current borrowings					
Domestic borrowings	752	752	752	752	752
Finance lease liabilities ^(a)	229	210	151	170	352
Derivative financial instruments	5	5	5	5	4
Total current borrowings	987	967	909	928	1 109
Non-current borrowings					
Domestic borrowings	21 005	26 181	29 479	31 248	33 021
Finance lease liabilities ^(a)	9 549	9 744	10 553	10 792	10 724
Derivative financial instruments	99	99	99	99	99
Total non-current borrowings	30 653	36 025	40 131	42 140	43 845
Total borrowings	31 640	36 992	41 040	43 067	44 954

Source: Department of Treasury and Finance

Note:

(a) Further detailed disclosures on finance lease liabilities can be found in the 2016-17 Financial Report for the State of Victoria.

Borrowings refer to interest bearing liabilities mainly raised from public borrowings and finance leases and other interest bearing arrangements and excludes liabilities raised from other government entities.

Estimates for new borrowings are based on the requirement to repay maturing debt and finance capital expenditure. The forecast for finance lease liabilities relates primarily to public private partnerships (PPPs).

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

In accordance with the accounting policies applicable to service concession arrangements outlined in the *2016-17 Financial Report* for the State of Victoria, projects approved as PPPs are budgeted as PPPs from the date of approval. Liabilities for availability financed PPPs are recognised upon commercial acceptance of the projects to which they relate. For certain projects, commercial acceptance of tranches of assets may occur progressively, resulting in recognition over a number of years as opposed to a specific date.

Some service concession arrangements, such as user pay toll roads, involve the State granting the private sector concessionaire a right to earn revenue from third-party users of the service concession asset. Usually the State will take control of the asset at the end of the concession period. Currently, these assets are not recognised in the Estimated Financial Statements. There are no such concessions ending within the period of the Estimated Financial Statements.

A new Australian accounting standard AASB 1059 *Service Concession Arrangements: Grantors* will be introduced from 2019 onwards. For further details on AASB 1059, please refer to Note 1.7.4 *Prospective accounting and reporting changes*.

1.5.2 Advances paid and investments, loans and placements	(\$ million)				
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Current advances paid and investments, loans and placements					
Loans and advances paid	1 946	1 813	1 279	608	120
Equities and managed investment schemes	1 081	1 072	1 072	1 101	1 098
Australian dollar term deposits	1 296	1 212	1 180	1 200	1 207
Debt securities	1	1	1	1	1
Derivative financial instruments	5	5	38	58	71
Total current advances paid and investments, loans and placements	4 329	4 104	3 571	2 968	2 498
Non-current advances paid and investments, loans and placements					
Loans and advances paid	7 926	6 328	5 095	4 501	4 433
Equities and managed investment schemes	641	939	1 353	1 417	1 444
Australian dollar term deposits	798	863	931	1 035	1 266
Debt securities	24	24	24	24	24
Derivative financial instruments	11	11	11	11	11
Total non-current advances paid and investments, loans and placements	9 400	8 165	7 413	6 989	7 179
Total advances paid and investments, loans and placements	13 729	12 269	10 984	9 957	9 677
Represented by:					
Advances paid	9 871	8 141	6 373	5 109	4 553
Investments, loans and placements	3 858	4 128	4 611	4 848	5 124

Source: Department of Treasury and Finance

The financial instruments above have been classified into financial instrument categories, depending on the purpose for which the investments were made or acquired. They are forecast based on expected transaction flows associated with these instruments.

Advances paid include long-term and short-term loan receivables, non-marketable debentures and long and short-term promissory agreements (bonds and bills) mainly issued to the PNFC and PFC sectors, for policy rather than liquidity management purposes.

1.5.3 Interest expense	(\$ million)			
	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Interest on interest-bearing liabilities	1 266	1 306	1 330	1 361
Finance charges on finance leases	864	868	903	918
Discount interest on payables	37	37	42	41
Total interest expense	2 167	2 211	2 275	2 319

Source: Department of Treasury and Finance

Estimates for interest expense are based on the forecast levels of outstanding Victorian general government sector debt, non-current financial liabilities and provisions. Victorian general government sector debt is expected to mainly comprise fixed-rate facilities from the Treasury Corporation of Victoria and finance lease liabilities. Interest expenses associated with issuing future interest-bearing liabilities are based on information provided by the Treasury Corporation of Victoria on forward contracts for Victorian government bonds. Interest expenses on finance leases use the prevailing rates when the lease was entered into.

1.6 OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

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1.6.1 Investments in other sector entities (\$ million)

	2019 <i>budget</i>	2020 <i>estimate</i>	2021 <i>estimate</i>	2022 <i>estimate</i>
Balance of investment in PNFC and PFC sectors at the beginning of the period	96 747	102 530	106 230	108 168
Net contributions to other sectors by owner	5 749	2 787	1 646	2 427
Revaluation gain/(loss) for period	34	913	291	(446)
Investment in other sector entities at end of period	102 530	106 230	108 168	110 148

Source: Department of Treasury and Finance

Investments in other sector entities are estimated based on their audited net assets as at 30 June 2017, adjusted by management estimates of subsequent operating results, capital investments, distributions and returns of capital.

1.6.2 Payables (\$ million)

	2018 <i>revised</i>	2019 <i>budget</i>	2020 <i>estimate</i>	2021 <i>estimate</i>	2022 <i>estimate</i>
Current payables					
Accounts payable and accrued expenses	3 526	3 474	3 470	3 558	3 066
Accrued taxes payable	44	45	46	47	47
Unearned income	517	564	559	555	553
Total current payables	4 087	4 084	4 075	4 160	3 667
Non-current payables					
Accounts payable and other payables	1 695	3 623	3 375	3 019	2 764
Total non-current payables	1 695	3 623	3 375	3 019	2 764
Total payables	5 782	7 707	7 450	7 178	6 431

Source: Department of Treasury and Finance

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

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

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

1.6.3 Superannuation

Reconciliation of the superannuation liabilities		(\$ million)			
	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>	
Emergency Services and State Super					
Defined benefit obligation	41 600	41 058	40 459	39 827	
Tax liability ^(a)	2 322	2 219	2 114	2 016	
Plan assets	(21 855)	(22 320)	(22 761)	(23 128)	
Net liability/(asset)	22 067	20 957	19 812	18 715	
Other funds ^(b)					
Defined benefit obligation	2 074	2 082	2 091	2 121	
Tax liability ^(a)	..	..	..	..
Plan assets	(947)	(929)	(912)	(898)	
Net liability/(asset)	1 127	1 154	1 179	1 223	
Total superannuation					
Defined benefit obligation	43 675	43 140	42 550	41 947	
Tax liability ^(a)	2 322	2 219	2 114	2 016	
Plan assets	(22 802)	(23 248)	(23 673)	(24 026)	
Superannuation liability	23 195	22 111	20 991	19 938	
Represented by:					
Current liability	1 082	1 075	1 007	1 033	
Non-current liability	22 113	21 036	19 984	18 906	
Total superannuation liability	23 195	22 111	20 991	19 938	

Source: Department of Treasury and Finance

Notes:

- (a) Tax liability is 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.

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

	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Opening balance of defined benefit obligation	46 584	45 997	45 360	44 664
Current service cost	918	917	915	955
Interest expense	1 270	1 253	1 235	1 216
Contributions by plan participants	194	188	183	178
Benefits paid	(2 968)	(2 995)	(3 029)	(3 048)
Closing balance of defined benefit obligation	45 997	45 360	44 664	43 964

Source: Department of Treasury and Finance

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

	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Opening balance of plan assets	22 348	22 802	23 248	23 673
Interest income	607	619	631	642
Return on plan assets not included in interest income	1 014	1 032	1 048	1 062
Employer contributions	1 607	1 602	1 591	1 520
Contributions by plan participants	194	188	183	178
Benefits paid (including tax paid)	(2 968)	(2 995)	(3 029)	(3 048)
Closing balance of plan assets	22 802	23 248	23 673	24 026

Source: Department of Treasury and Finance

See Note 1.3.2 *Superannuation expense and other superannuation expenses* for further information on superannuation assumptions.

1.7 OTHER DISCLOSURES

Introduction

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

Structure

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1.7.1 Other gains/(losses) from other economic flows	(\$ million)			
	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Net (increase) in provision for doubtful receivables	(212)	(208)	(230)	(225)
Amortisation of intangible non-produced assets	(4)	(4)	(4)	(4)
Bad debts written off	(129)	(144)	(110)	(133)
Other gains/(losses)	(1)	(1)	(1)	(1)
Total other gains/(losses) from other economic flows	(345)	(356)	(345)	(363)

Source: Department of Treasury and Finance

Other economic flows are expected changes in the volume or value of an asset or liability arising from market remeasurements, rather than from transactions. They include gains and losses from revaluing biological assets, fair value changes of financial instruments, and depletion of natural assets (non-produced) from their use or removal.

1.7.2 Reconciliation to Government Finance Statistics ^{(a)(b)} (\$ million)

	2018-19 budget	2019-20 estimate	2020-21 estimate	2021-22 estimate
Net result from transactions – net operating balance	1 380	1 971	2 715	2 891
<i>Convergence differences:</i>				
Licence fees ^(c)	52	52	52	52
<i>plus total convergence difference:</i>	52	52	52	52
GFS net operating balance	1 432	2 023	2 768	2 943
Net lending/(borrowing)	(541)	(586)	526	1 597
<i>Convergence differences:</i>				
Licence fees ^(c)	52	52	52	52
<i>plus total convergence difference:</i>	52	52	52	52
GFS net lending/(borrowing)	(489)	(534)	578	1 649
Comprehensive result – total change in net worth	2 878	10 684	5 282	7 088
Contribution by non-controlling interest				
<i>Convergence differences:</i>				
Doubtful receivables of the general government sector ^(d)	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)	98	82	(303)
Unearned income relating to licence fees ^(c)	52	52	52	52
Port of Melbourne lease transaction ^(f)	(144)	(144)	(144)	(153)
<i>plus total convergence difference:</i>	(434)	44	30	(358)
GFS total change in net worth	2 445	10 729	5 312	6 730
Net worth	174 499	185 183	190 465	197 553
<i>Convergence differences:</i>				
Doubtful receivables of the general government sector ^(d)	937	976	1 017	1 063
Investments in other sector entities ^(g)	6 972	7 070	7 151	6 848
Unearned income relating to licence fees ^(c)	(679)	(626)	(574)	(522)
Port of Melbourne lease transaction ^(f)	(1 215)	(1 360)	(1 504)	(1 658)
<i>plus total convergence difference:</i>	6 015	6 059	6 089	5 731
GFS net worth	180 514	191 243	196 554	203 285

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 public non-financial corporations 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.

This note identifies and reconciles unconverged differences between the Australian Accounting Standards reporting and the Government Finance Statistics (GFS) reporting.

All GFS balances are estimated in accordance with the Australian Bureau of Statistics GFS manual *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015*.

GFS information enables policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of the Government based on consistent economic reporting rules and definitions.

1.7.3 Financial instruments

Note 7.1 in the *2016-17 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* will supersede previous versions of the standard (AASB 9 (2014)) and certain parts of AASB 139 *Financial Instruments: Recognition and Measurement*. It will apply 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 existing 'incurred loss model' of AASB 139.

1.7.4 Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2018-19 reporting period. There is no intention for early adoption of these accounting standards and they have not been applied to the Estimated Financial Statements. The State is reviewing its existing policies and assessing the potential implications of these accounting standards which include:

- AASB 15 *Revenue from Contracts with Customers*, operative for reporting periods commencing on or after 1 January 2019 for not-for-profit entities. The core principle of AASB 15 is 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;
- AASB 1058 *Income of Not-for-Profit Entities*, operative for reporting periods commencing on or after 1 January 2019. This standard will largely replace *AASB 1004 Contributions* and establishes 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. Under AASB 1058, revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will be deferred and recognised as the performance obligations are satisfied;
- AASB 16 *Leases*, operative for reporting periods commencing on or after 1 January 2019. The key changes introduced by AASB 16 include recognising most of the operating leases on the balance sheet; and
- AASB 1059 *Service Concession Arrangements: Grantors*, operative for reporting periods commencing on or after 1 January 2019. This standard prescribes the accounting treatment for 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.

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.

1.7.5 Classification of the functions of government disclosure

The Australian system of Government Finance Statistics (GFS) was revised by the Australian Bureau of Statistics, with the release of the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 Cat. No. 5514.0*.

Implementation of the updated GFS manual has resulted in the ‘classification of the functions of government’ (COFOG) framework replacing the former ‘government purpose classification’ (GPC) framework, with effect from the 2018-19 financial year for financial reporting under AASB 1049.

The key reporting changes from GPC to COFOG are as follows:

- the number of categories has reduced from 12 under GPC to 10 under COFOG;
- the fuel and energy, agriculture, forestry, fishing and hunting categories have been abolished and are now part of the new economic affairs category. The majority of the outputs in other economic affairs are also included in this new category;
- public debt transactions have moved from the other purposes category (i.e. primarily interest expense on borrowings) to general public services category;
- a new environmental protection category was created to include functions such as waste management, water waste management, pollution and production of biodiversity and landscape, which were previously classified under housing and community amenities category, as well as national and state parks functions from the recreation and culture category; and
- housing functions such as housing assistance and housing concessions are now part of the social protection category.

The COFOG framework disclosures required under AASB 1049 classify expenses, acquisition of non-financial assets of the public sector and total assets of the general government sector in terms of their purposes. This information is presented to facilitate improved inter-jurisdictional comparison of the financial operations of public sector jurisdictions.

The major COFOG groups reflect the broad objectives of government and the groups and subgroups detail the means by which these broad objectives are achieved. The major groups are:

- **General public services:** Includes legislative and executive organs, financial and fiscal affairs, external affairs, foreign economic aid, general services, basic research, research and development – general public services, public debt transactions.
- **Public order and safety:** Includes police services, civil and fire protection services, law courts, prisons, research and development.
- **Economic affairs:** Includes general economic, commercial and labour affairs, agriculture, forestry, fishing and hunting, fuel and energy, mining, manufacturing, and construction, communication, other industries, research and development.
- **Environmental protection:** Includes waste management, waste water management, pollution abatement, protection of biodiversity and landscape, research and development.
- **Housing and community amenities:** Includes housing and community development, water supply, street lighting, research and development.

- **Health:** Includes medical products, appliances, and equipment, outpatient services, hospital services, mental health institutions, community health services, public health services, research and development.
- **Recreation, culture and religion:** Includes recreational and sporting services, cultural services, broadcasting and publishing services, religious and other community services, research and development.
- **Education:** Includes pre-primary and primary education, secondary education, tertiary education, education not defined by level, subsidiary services to education, research and development.
- **Social protection:** Includes sickness and disability, old age, survivors, family and children, unemployment, housing, social exclusion, research and development.
- **Transport:** Includes road transport, bus transport, water transport, railway transport, air transport, multi-mode urban transport, pipeline and other transport, research and development.

1.7.6 Controlled entities

Note 9.8 Controlled entities in the *2016-17 Financial Report* for the State of Victoria contains a list of significant controlled entities, which have been consolidated for the purposes of the financial report.

The following are changes from 1 July 2017 to general government sector entities and entities included as investments by the general government sector which have been consolidated in the financial report. Unless noted below, all are wholly owned.

General government	
Department of Health and Human Services	Department of Economic Development, Jobs, Transport and Resources
Corryong Health ^(a)	Victorian Fisheries Authority ^(c)
Department of Premier and Cabinet	Courts
Victorian Information Commissioner ^(b)	Judicial Commission of Victoria ^(d)

Public non-financial corporation
Department of Health and Human Services
Queen Victoria Women's Centre Trust ^(e)

Source: Department of Treasury and Finance

Notes:

- Effective from 4 July 2017, Upper Murray Health and Community Services changed its name to Corryong Health.
- Effective from 1 September 2017, the Office of the Victorian Information Commissioner commenced operations and took over the responsibilities of the Freedom of Information Commissioner and the Office of the Commissioner for Privacy and Data Protection.
- Effective from 1 July 2017, the Victorian Fisheries Authority was established to manage Victoria's fisheries resources.
- Effective from 1 July 2017, the Judicial Commission of Victoria commenced operations under the Judicial Commission of Victoria Act 2016.
- Effective from 1 July 2017, portfolio responsibility for the Queen Victoria Women's Centre Trust was transferred from the Department of Premier and Cabinet to the Department of Health and Human Services.

CHAPTER 2 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

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

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Revenue from transactions					
Interest revenue	162	109	74	47	28
Dividend revenue	16	15	16	16	21
Sales of goods and services	6 666	6 753	6 810	7 215	7 043
Grant revenue	3 624	3 752	3 661	3 580	3 575
Other revenue	755	598	609	613	628
Total revenue from transactions	11 223	11 228	11 171	11 470	11 295
Expenses from transactions					
Employee expenses	1 257	1 282	1 315	1 345	1 379
Net superannuation interest expense	4	4	4	4	4
Other superannuation	119	123	127	128	133
Depreciation	2 248	2 332	2 428	2 573	2 648
Interest expense	1 095	1 048	1 026	1 016	993
Grant expense	347	413	265	102	102
Other operating expenses	6 183	6 345	6 207	6 671	6 471
Other property expenses	279	178	186	220	220
Total expenses from transactions	11 532	11 726	11 559	12 060	11 951
Net result from transactions – net operating balance	(308)	(498)	(388)	(589)	(657)
Total other economic flows included in net result	708	194	220	(85)	258
Net result	400	(304)	(168)	(675)	(399)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	510	817	1 128	955	(11)
Remeasurement of superannuation defined benefit plans	3	..	..	..	..
Other movements in equity	(50)	(6)	(8)	(9)	(4)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	19	8	(8)	(9)	1
Total other economic flows – other comprehensive income	483	819	1 112	936	(15)
Comprehensive result – total change in net worth	882	515	944	261	(414)

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

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
KEY FISCAL AGGREGATES					
Net operating balance	(308)	(498)	(388)	(589)	(657)
Less: Net acquisition of non-financial assets from transactions	5 518	6 121	3 988	2 180	1 817
Net lending/(borrowing)	(5 826)	(6 619)	(4 376)	(2 769)	(2 474)

Source: Department of Treasury and Finance

Note:

(a) Due to commercial sensitivities certain line items have been aggregated.

Table 2.2: Public non-financial corporations sector balance sheet as at 30 June (\$ million)

	2018 <i>revised</i>	2019 <i>budget</i>	2020 <i>estimate</i>	2021 <i>estimate</i>	2022 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	1 056	727	593	608	573
Advances paid	5 267	3 471	1 904	690	129
Receivables	1 598	1 667	1 705	1 677	1 693
Investments, loans and placements	1 115	1 006	987	904	828
Total financial assets	9 035	6 871	5 188	3 878	3 223
Non-financial assets					
Inventories	789	1 031	1 282	1 150	1 209
Non-financial assets held for sale	22	22	22	22	22
Land, buildings, infrastructure, plant and equipment	122 697	129 363	134 716	137 974	139 678
Other non-financial assets	1 365	1 367	1 362	1 360	1 366
Total non-financial assets	124 873	131 783	137 383	140 506	142 276
Total assets	133 908	138 655	142 571	144 385	145 498
Liabilities					
Deposits held and advances received	5 649	3 856	2 306	1 093	525
Payables	9 984	9 794	9 583	9 414	9 272
Borrowings	16 756	17 685	18 409	18 673	18 989
Employee benefits	419	425	430	435	440
Superannuation	37	37	37	37	37
Other provisions	8 068	7 760	7 951	7 993	7 653
Total liabilities	40 913	39 556	38 715	37 645	36 915
Net assets	92 995	99 098	103 856	106 740	108 583
Accumulated surplus/(deficit)	3 017	2 520	2 212	1 376	778
Reserves	89 978	96 578	101 644	105 363	107 805
Net worth	92 995	99 098	103 856	106 740	108 583
FISCAL AGGREGATES					
Net financial worth	(31 878)	(32 685)	(33 527)	(33 766)	(33 692)
Net financial liabilities	31 878	32 685	33 527	33 766	33 692
Net debt	14 968	16 336	17 231	17 564	17 984

Source: Department of Treasury and Finance

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

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Grants	3 613	3 718	3 661	3 580	3 575
Sales of goods and services ^(b)	7 117	7 133	7 250	7 767	7 549
Interest received	185	121	86	47	28
Dividend receipts	15	15	16	16	21
Other receipts	567	340	311	363	371
Total receipts	11 496	11 326	11 324	11 773	11 544
Payments					
Payments for employees	(1 263)	(1 280)	(1 314)	(1 340)	(1 375)
Superannuation	(120)	(128)	(131)	(133)	(137)
Interest paid	(1 097)	(1 043)	(1 023)	(1 015)	(992)
Grants and subsidies	(86)	(72)	(48)	(40)	(37)
Goods and services ^(b)	(4 794)	(4 699)	(4 461)	(4 924)	(4 694)
Other payments	(2 458)	(2 618)	(2 726)	(2 653)	(2 665)
Total payments	(9 818)	(9 839)	(9 703)	(10 104)	(9 900)
Net cash flows from operating activities	1 678	1 487	1 621	1 669	1 644
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(2 560)	(2 789)	(2 485)	(1 675)	(1 776)
Net cash flows from investments in financial assets for policy purposes	5 099	1 782	1 523	1 197	557
Net cash flows from investment in financial assets for liquidity management purposes	25	108	30	81	78
Net cash flows from investing activities	2 564	(900)	(933)	(397)	(1 141)
Cash flows from financing activities					
Advances received (net)	(3 052)	(1 788)	(1 551)	(1 213)	(567)
Net borrowings	832	929	724	264	316
Deposits received (net)	(58)	(4)	..	..	(2)
Other financing (net)	(2 061)	(52)	4	(308)	(285)
Net cash flows from financing activities	(4 339)	(916)	(822)	(1 257)	(537)
Net increase/(decrease) in cash and cash equivalents	(97)	(329)	(134)	15	(35)
Cash and cash equivalents at beginning of reporting period	1 153	1 056	727	593	608
Cash and cash equivalents at end of reporting period	1 056	727	593	608	573

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

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities	1 678	1 487	1 621	1 669	1 644
Dividends paid	(331)	(160)	(123)	(144)	(170)
Net cash flows from investments in non-financial assets	(2 560)	(2 789)	(2 485)	(1 675)	(1 776)
Cash surplus/(deficit)	(1 213)	(1 462)	(987)	(150)	(301)

Source: Department of Treasury and Finance

Notes:

(a) Due to commercial sensitivities certain line items have been aggregated.

(b) Inclusive of goods and services tax.

Table 2.4: Public non-financial corporations sector statement of changes in equity for the financial year ended 30 June (\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
2017-18 revised		
Balance at 1 July 2017	3 751	54 902
Net result for the year	400	..
Other comprehensive income for the year	(83)	..
Dividends paid	(331)	..
Transfer to/(from) accumulated surplus	(721)	2 073
Transactions with owners in their capacity as owners	..	3 317
Total equity as at 30 June 2018	3 017	60 292
2018-19 budget		
Balance at 1 July 2018	3 017	60 292
Net result for the year	(304)	..
Other comprehensive income for the year	(32)	..
Dividends paid	(160)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	5 749
Total equity as at 30 June 2019	2 520	66 041
2019-20 estimate		
Balance at 1 July 2019	2 520	66 041
Net result for the year	(168)	..
Other comprehensive income for the year	(17)	..
Dividends paid	(123)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	3 937
Total equity as at 30 June 2020	2 212	69 978
2020-21 estimate		
Balance at 1 July 2020	2 212	69 978
Net result for the year	(675)	..
Other comprehensive income for the year	(17)	..
Dividends paid	(144)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	2 766
Total equity as at 30 June 2021	1 376	72 744
2021-22 estimate		
Balance at 1 July 2021	1 376	72 744
Net result for the year	(399)	..
Other comprehensive income for the year	(30)	..
Dividends paid	(170)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	2 427
Total equity as at 30 June 2022	778	75 171

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
29 985	488	89 126
..	..	400
510	55	483
..	..	(331)
(1 353)	..	..
..	..	3 317
29 143	542	92 995
29 143	542	92 995
..	..	(304)
817	34	819
..	..	(160)
..
..	..	5 749
29 961	577	99 098
29 961	577	99 098
..	..	(168)
1 128	2	1 112
..	..	(123)
..
..	..	3 937
31 088	578	103 856
31 088	578	103 856
..	..	(675)
955	(2)	936
..	..	(144)
..
..	..	2 766
32 043	576	106 740
32 043	576	106 740
..	..	(399)
(11)	26	(15)
..	..	(170)
..
..	..	2 427
32 032	603	108 583

Table 2.5: Net acquisition of non-financial assets – public non-financial corporations sector ^(a)

(\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Purchases of non-financial assets less sales of non-financial assets (including change in inventories)	2 588	2 789	2 457	1 675	1 776
Less: Depreciation	(2 248)	(2 332)	(2 428)	(2 573)	(2 648)
Plus: Other movements in non-financial assets ^(b)	5 178	5 664	3 959	3 078	2 690
Total net acquisition of non-financial assets	5 518	6 121	3 988	2 180	1 817

Source: Department of Treasury and Finance

Notes:

(a) Due to commercial sensitivities certain line items have been aggregated.

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

Table 2.6: Non-financial public sector comprehensive operating statement
for the financial year ended 30 June ^(a) (\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Revenue from transactions					
Taxation revenue	22 087	23 653	24 798	25 765	27 156
Interest revenue	347	363	396	405	416
Dividends, income tax equivalent and rate equivalent revenue	147	584	211	215	183
Sales of goods and services	11 096	11 428	12 245	12 951	12 938
Grant revenue	30 338	33 454	33 103	33 998	34 774
Other revenue	3 247	3 220	3 231	3 299	3 375
Total revenue from transactions	67 262	72 702	73 984	76 633	78 841
Expenses from transactions					
Employee expenses	24 183	26 779	27 603	28 580	29 599
Net superannuation interest expense	719	667	638	608	578
Other superannuation	2 654	2 799	2 859	2 923	3 039
Depreciation	5 012	5 208	5 464	5 911	6 155
Interest expense	2 481	2 604	2 701	2 816	2 877
Grant expense	7 113	9 406	10 413	10 197	10 518
Other operating expenses	23 693	24 532	22 852	23 616	24 010
Total expenses from transactions	65 854	71 995	72 531	74 652	76 777
Net result from transactions – net operating balance	1 407	706	1 453	1 982	2 064
Total other economic flows included in net result	(232)	(280)	(96)	(571)	(268)
Net result	1 175	426	1 357	1 411	1 796
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	1 118	1 504	8 469	2 757	3 779
Remeasurement of superannuation defined benefit plans	736	1 014	1 032	1 048	1 062
Other movements in equity	(87)	(21)	(23)	(28)	(1)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	21	9	(6)	(8)	2
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	369	(320)	92	174	137
Total other economic flows – other comprehensive income	2 158	2 187	9 563	3 943	4 980
Comprehensive result – total change in net worth	3 333	2 613	10 921	5 354	6 776
KEY FISCAL AGGREGATES					
Net operating balance	1 407	706	1 453	1 982	2 064
Less: Net acquisition of non-financial assets from transactions	7 666	8 041	6 544	4 369	3 111
Net lending/(borrowing)	(6 259)	(7 335)	(5 091)	(2 387)	(1 046)

Source: Department of Treasury and Finance

Note:

(a) Due to commercial sensitivities certain line items have been aggregated.

Table 2.7: Non-financial public sector balance sheet as at 30 June (\$ million)

	2018 <i>revised</i>	2019 <i>budget</i>	2020 <i>estimate</i>	2021 <i>estimate</i>	2022 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	5 621	5 360	5 377	5 432	5 421
Advances paid	320	447	304	297	345
Receivables	6 748	7 063	7 370	7 628	7 947
Investments, loans and placements	4 973	5 134	5 598	5 752	5 951
Investments accounted for using equity method	47	47	47	47	47
Investments in other sector entities	3 755	3 435	2 377	1 431	1 569
Total financial assets	21 465	21 486	21 074	20 588	21 281
Non-financial assets					
Inventories	964	1 210	1 466	1 338	1 401
Non-financial assets held for sale	318	319	320	321	322
Land, buildings, infrastructure, plant and equipment	247 299	256 625	270 612	276 153	281 968
Other non-financial assets	2 700	2 887	3 927	5 356	6 069
Total non-financial assets	251 280	261 041	276 324	283 169	289 761
Total assets	272 745	282 527	297 398	303 756	311 042
Liabilities					
Deposits held and advances received	1 188	940	991	986	940
Payables	15 367	17 144	16 693	16 216	15 295
Borrowings	44 316	50 674	55 523	57 861	60 102
Employee benefits	7 207	7 565	7 887	8 187	8 492
Superannuation	24 272	23 232	22 148	21 028	19 975
Other provisions	1 042	1 007	1 271	1 239	1 223
Total liabilities	93 393	100 562	104 513	105 517	106 027
Net assets	179 352	181 965	192 885	198 240	205 015
Accumulated surplus/(deficit)	78 379	79 785	82 143	84 568	87 400
Reserves	100 973	102 179	110 742	113 671	117 616
Net worth	179 352	181 965	192 885	198 240	205 015
FISCAL AGGREGATES					
Net financial worth	(71 928)	(79 076)	(83 439)	(84 929)	(84 746)
Net financial liabilities	75 684	82 511	85 817	86 360	86 314
Net debt	34 591	40 674	45 235	47 366	49 325

Source: Department of Treasury and Finance

Table 2.8: Non-financial public sector cash flow statement for the financial year ended 30 June ^(a)

(\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Taxes received	21 856	23 479	24 484	25 432	26 811
Grants	30 404	33 449	33 103	33 998	34 774
Sales of goods and services ^(b)	12 290	14 423	13 387	14 209	14 168
Interest received	359	374	407	405	415
Dividends, income tax equivalent and rate equivalent receipts	146	530	210	215	183
Other receipts	2 656	2 524	2 508	2 579	2 628
Total receipts	67 710	74 779	74 098	76 838	78 980
Payments					
Payments for employees	(23 909)	(26 428)	(27 287)	(28 283)	(29 298)
Superannuation	(3 302)	(3 492)	(3 550)	(3 604)	(3 609)
Interest paid	(2 434)	(2 562)	(2 661)	(2 774)	(2 835)
Grants and subsidies	(7 148)	(9 474)	(11 164)	(11 701)	(11 281)
Goods and services ^(b)	(24 740)	(25 145)	(23 534)	(24 297)	(24 824)
Other payments	(737)	(793)	(822)	(866)	(836)
Total payments	(62 270)	(67 894)	(69 018)	(71 524)	(72 682)
Net cash flows from operating activities	5 440	6 885	5 080	5 314	6 298
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(11 654)	(12 512)	(9 699)	(8 029)	(7 831)
Net cash flows from investments in financial assets for policy purposes	2 009	(162)	1 251	1 099	(49)
Net cash flows from investment in financial assets for liquidity management purposes	(133)	(125)	(441)	(110)	(157)
Net cash flows from investing activities	(9 778)	(12 799)	(8 890)	(7 040)	(8 037)
Cash flows from financing activities					
Advances received (net)	244	(244)	50	(5)	(44)
Net borrowings	3 085	5 901	3 776	1 785	1 774
Deposits received (net)	(53)	(4)	1	1	(2)
Net cash flows from financing activities	3 276	5 653	3 827	1 780	1 728
Net increase/(decrease) in cash and cash equivalents	(1 062)	(261)	17	55	(11)
Cash and cash equivalents at beginning of reporting period	6 683	5 621	5 360	5 377	5 432
Cash and cash equivalents at end of reporting period	5 621	5 360	5 377	5 432	5 421
FISCAL AGGREGATES					
Net cash flows from operating activities	5 440	6 885	5 080	5 314	6 298
Net cash flows from investments in non-financial assets	(11 654)	(12 512)	(9 699)	(8 029)	(7 831)
Cash surplus/(deficit)	(6 214)	(5 627)	(4 620)	(2 714)	(1 532)

Source: Department of Treasury and Finance

Notes:

(a) Due to commercial sensitivities certain line items have been aggregated.

(b) Inclusive of goods and services tax.

Table 2.9: Non-financial public sector statement of changes in equity for the financial year ended 30 June (\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling Interest</i>
2017-18 revised		
Balance at 1 July 2017	75 243	..
Net result for the year	1 175	..
Other comprehensive income for the year	608	..
Transfer to/(from) accumulated surplus	1 352	..
Total equity as at 30 June 2018	78 379	..
2018-19 budget		
Balance at 1 July 2018	78 379	..
Net result for the year	426	..
Other comprehensive income for the year	981	..
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2019	79 785	..
2019-20 estimate		
Balance at 1 July 2019	79 785	..
Net result for the year	1 357	..
Other comprehensive income for the year	1 001	..
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2020	82 143	..
2020-21 estimate		
Balance at 1 July 2020	82 143	..
Net result for the year	1 411	..
Other comprehensive income for the year	1 014	..
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2021	84 568	..
2021-22 estimate		
Balance at 1 July 2021	84 568	..
Net result for the year	1 796	..
Other comprehensive income for the year	1 035	..
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2022	87 400	..

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
95 895	3 725	1 156	176 019
..	..	..	1 175
1 118	369	62	2 158
(1 353)	..	..	..
95 661	4 094	1 218	179 352
95 661	4 094	1 218	179 352
..	..	..	426
1 504	(320)	23	2 187
..
97 165	3 774	1 241	181 965
97 165	3 774	1 241	181 965
..	..	..	1 357
8 469	92	2	9 563
..
105 633	3 866	1 242	192 885
105 633	3 866	1 242	192 885
..	..	..	1 411
2 757	174	(2)	3 943
..
108 391	4 040	1 240	198 240
108 391	4 040	1 240	198 240
..	..	..	1 796
3 779	137	28	4 980
..
112 170	4 177	1 268	205 015

Table 2.10: Net acquisition of non-financial assets – non-financial public sector ^(a)

(\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Purchases of non-financial assets less sales of non-financial assets (including change in inventories)	11 686	12 516	9 675	8 033	7 835
Less: Depreciation	(5 012)	(5 208)	(5 464)	(5 911)	(6 155)
Plus: Other movements in non-financial assets ^(b)	992	733	2 333	2 247	1 431
Total net acquisition of non-financial assets	7 666	8 041	6 544	4 369	3 111

Source: Department of Treasury and Finance

Notes:

(a) Due to commercial sensitivities certain line items have been aggregated.

(b) The other movements in non-financial assets across the forward estimates predominantly relate to finance leases for the Ravenhall Prison project, the Bendigo Hospital – Stage 2, the New Schools PPP – Tranche 2, the High Capacity Metro Trains (HCMT) Project, the Western Roads Upgrade, the Melbourne Convention and Exhibition Centre – Stage 2 development, the Casey Hospital expansion, the Northern Roads Upgrade, and the South Eastern Roads Upgrade. The estimates also include State capital contributions to major projects across the years.

Table 2.11: Public financial corporations sector comprehensive operating statement for the financial year ended 30 June (\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Revenue from transactions					
Interest revenue	1 831	1 922	2 010	2 140	2 198
Dividend revenue	1 410	1 405	1 462	1 808	1 839
Sales of goods and services	4 592	4 776	4 987	5 219	5 458
Other revenue	24	25	27	28	29
Total revenue from transactions	7 857	8 128	8 487	9 195	9 525
Expenses from transactions					
Employee expenses	372	375	363	372	382
Other superannuation	27	26	27	27	27
Depreciation	47	45	56	64	74
Interest expense	1 664	1 768	1 848	1 912	1 977
Grant expense	599	731	823	623	688
Other operating expenses	6 779	6 924	7 263	7 602	7 949
Other property expenses	174	31	93	160	82
Total expenses from transactions	9 663	9 900	10 473	10 760	11 179
Net result from transactions – net operating balance^(a)	(1 805)	(1 772)	(1 987)	(1 564)	(1 654)
Other economic flows included in net result					
Net gain/(loss) on financial assets or liabilities at fair value	1 520	539	542	607	590
Other gains/(losses) from other economic flows	899	905	961	925	917
Total other economic flows included in net result	2 419	1 444	1 502	1 531	1 506
Net result	614	(328)	(485)	(33)	(148)
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	614	(327)	(484)	(33)	(147)
KEY FISCAL AGGREGATES					
Net operating balance	(1 805)	(1 772)	(1 987)	(1 564)	(1 654)
Less: Net acquisition of non-financial assets from transactions	46	75	89	101	84
Net lending/(borrowing)	(1 851)	(1 848)	(2 076)	(1 666)	(1 738)

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 2.12: Public financial corporations sector balance sheet as at 30 June (\$ million)

	2018 <i>revised</i>	2019 <i>budget</i>	2020 <i>estimate</i>	2021 <i>estimate</i>	2022 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	3 413	3 505	3 338	3 397	3 406
Advances paid	12	12	12	13	12
Investments, loans and placements	37 613	36 541	36 388	36 840	38 299
Loans receivable from non-financial public sector ^(a)	33 869	40 262	44 496	46 598	48 738
Receivables	1 255	1 294	1 234	1 276	1 349
Total financial assets	76 162	81 614	85 469	88 124	91 804
Non-financial assets					
Land, buildings, infrastructure, plant and equipment	137	224	329	435	519
Other non-financial assets	620	692	783	738	694
Total non-financial assets	758	916	1 112	1 173	1 213
Total assets	76 920	82 530	86 581	89 296	93 017
Liabilities					
Deposits held and advances received	5 257	4 616	4 413	4 281	4 240
Payables	1 823	1 907	1 913	1 919	1 922
Borrowings ^(b)	39 374	44 718	48 952	51 258	53 398
Employee benefits	88	91	93	96	98
Other provisions	29 646	31 300	33 015	34 780	36 618
Total liabilities	76 187	82 632	88 386	92 335	96 276
Net assets ^(c)	732	(102)	(1 805)	(3 038)	(3 259)
Accumulated surplus/(deficit)	661	(174)	(1 848)	(3 081)	(3 302)
Reserves	72	72	42	43	43
Net worth ^(c)	732	(102)	(1 805)	(3 038)	(3 259)
FISCAL AGGREGATES					
Net financial worth	(25)	(1 018)	(2 917)	(4 211)	(4 473)
Net financial liabilities	25	1 018	2 917	4 211	4 473
Net debt	(30 276)	(30 986)	(30 870)	(31 308)	(32 817)

Source: Department of Treasury and Finance

Notes:

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

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

(c) 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 2.13: Public financial corporations sector cash flow statement
for the financial year ended 30 June**

(\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Sales of goods and services ^(a)	5 093	5 292	5 527	5 748	5 995
Interest received	1 771	1 862	1 950	2 080	2 138
Dividend receipts	1 410	1 405	1 462	1 808	1 839
Other receipts	81	34	35	13	12
Total receipts	8 355	8 592	8 974	9 649	9 985
Payments					
Payments for employees	(390)	(373)	(360)	(369)	(379)
Superannuation	(27)	(26)	(27)	(27)	(27)
Interest paid	(1 724)	(1 822)	(1 901)	(1 962)	(2 027)
Grants and subsidies	(599)	(731)	(823)	(623)	(688)
Goods and services ^(a)	(4 987)	(4 924)	(5 228)	(5 485)	(5 743)
Other payments	(6)	(18)	(29)	(84)	(68)
Total payments	(7 733)	(7 893)	(8 368)	(8 551)	(8 934)
Net cash flows from operating activities	621	699	606	1 098	1 051
Cash flows from investing activities					
Purchases of non-financial assets	(94)	(121)	(146)	(167)	(159)
Sales of non-financial assets	1	1	1	1	1
Net cash flows from investments in non-financial assets	(93)	(121)	(145)	(166)	(158)
Net cash flows from investments in financial assets for policy purposes	5	(1)	(1)	(1)	1
Net cash flows from investments in financial assets for liquidity management purposes	(206)	(4 723)	(3 479)	(1 887)	(2 949)
Net cash flows from investing activities	(295)	(4 844)	(3 625)	(2 054)	(3 106)
Cash flows from financing activities					
Advances received (net)	(15)	1	1	1	..
Net borrowings	1 058	5 384	4 274	2 346	2 179
Deposits received (net)	(2 090)	(641)	(203)	(132)	(41)
Other financing (net)	(94)	(507)	(1 220)	(1 200)	(73)
Net cash flows from financing activities	(1 142)	4 237	2 852	1 014	2 064
Net increase/(decrease) in cash and cash equivalents	(815)	92	(167)	59	9
Cash and cash equivalents at beginning of reporting period	4 229	3 413	3 505	3 338	3 397
Cash and cash equivalents at end of reporting period	3 413	3 505	3 338	3 397	3 406
FISCAL AGGREGATES					
Net cash flows from operating activities	621	699	606	1 098	1 051
Dividends paid	(94)	(507)	(70)	(80)	(73)
Net cash flows from investments in non-financial assets	(93)	(121)	(145)	(166)	(158)
Cash surplus/(deficit)	434	71	392	852	820

Source: Department of Treasury and Finance

Note:

(a) Inclusive of goods and services tax.

Table 2.14: Public financial corporations sector statement of changes in equity for the financial year ended 30 June (\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
2017-18 revised		
Balance at 1 July 2017	142	30
Net result for the year	614	..
Other comprehensive income for the year	..	..
Dividends paid	(94)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2018	661	30
2018-19 budget		
Balance at 1 July 2018	661	30
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	(174)	30
2019-20 estimate		
Balance at 1 July 2019	(174)	30
Net result for the year	(485)	..
Other comprehensive income for the year	..	..
Dividends paid	(70)	..
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	(1 848)	..
2020-21 estimate		
Balance at 1 July 2020	(1 848)	..
Net result for the year	(33)	..
Other comprehensive income for the year	..	..
Dividends paid	(80)	..
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	(3 081)	..
2021-22 estimate		
Balance at 1 July 2021	(3 081)	..
Net result for the year	(148)	..
Other comprehensive income for the year	..	..
Dividends paid	(73)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2022	(3 302)	..

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2	39	213
..	..	614
..
..	..	(94)
..
..
2	39	732
2	39	732
..	..	(328)
..	..	1
..	..	(507)
..
..
2	40	(102)
2	40	(102)
..	..	(485)
..
..	..	(70)
..
..	..	(1 150)
2	40	(1 805)
2	40	(1 805)
..	..	(33)
..
..	..	(80)
..
..	..	(1 120)
2	40	(3 038)
2	40	(3 038)
..	..	(148)
..
..	..	(73)
..
..
2	41	(3 259)

Table 2.15: Net acquisition of non-financial assets – public financial corporations sector
 (\$ million)

	<i>2017-18 revised</i>	<i>2018-19 budget</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>
Purchases of non-financial assets less sales of non-financial assets plus other movements in non-financial assets	93	121	145	166	158
Less: Depreciation	(47)	(45)	(56)	(64)	(74)
Total net acquisition of non-financial assets	46	75	89	101	84

Source: Department of Treasury and Finance

Table 2.16: State of Victoria operating statement for the financial year ended 30 June ^(a)
(\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Revenue from transactions					
Taxation revenue	22 071	23 636	24 781	25 747	27 138
Interest revenue	551	535	562	638	641
Dividends revenue	1 456	1 451	1 510	1 858	1 896
Sales of goods and services	14 815	15 296	16 285	17 177	17 358
Grant revenue	29 763	32 735	32 294	33 391	34 103
Other revenue	3 271	3 246	3 259	3 328	3 404
Total revenue from transactions	71 928	76 899	78 690	82 138	84 539
Expenses from transactions					
Employee expenses	24 176	26 752	27 555	28 529	29 548
Net superannuation interest expense	719	667	638	608	578
Other superannuation	2 681	2 826	2 886	2 951	3 067
Depreciation	5 059	5 253	5 520	5 975	6 229
Interest expense	2 518	2 622	2 705	2 821	2 880
Grant expense	7 129	9 423	10 431	10 216	10 537
Other operating expenses	29 980	30 921	29 543	30 560	31 357
Total expenses from transactions	72 262	78 464	79 278	81 659	84 197
Net result from transactions – net operating balance	(334)	(1 565)	(587)	480	343
Total other economic flows included in net result	2 187	1 074	1 297	923	1 245
Net result	1 853	(491)	710	1 403	1 588
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	1 118	1 504	8 469	2 757	3 779
Remeasurement of superannuation defined benefit plans	736	1 014	1 032	1 048	1 062
Other movements in equity	(87)	(20)	(23)	(28)	(1)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	21	9	(6)	(8)	2
Total other economic flows – other comprehensive income	1 789	2 508	9 471	3 770	4 843
Comprehensive result – total change in net worth	3 642	2 017	10 181	5 173	6 431
KEY FISCAL AGGREGATES					
Net operating balance	(334)	(1 565)	(587)	480	343
Less: Net acquisition of non-financial assets from transactions	7 712	8 117	6 634	4 471	3 195
Net lending/(borrowing)	(8 046)	(9 682)	(7 221)	(3 991)	(2 852)

Source: Department of Treasury and Finance

Note:

(a) Due to commercial sensitivities certain line items have been aggregated.

Table 2.17: State of Victoria balance sheet as at 30 June

(\$ million)

	2018 <i>revised</i>	2019 <i>budget</i>	2020 <i>estimate</i>	2021 <i>estimate</i>	2022 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	6 216	6 456	6 432	6 604	6 674
Advances paid	320	447	304	297	345
Receivables	7 690	7 998	8 259	8 624	8 994
Investments, loans and placements	40 685	40 008	40 396	41 075	42 702
Investments accounted for using equity method	47	47	47	47	47
Total financial assets	54 960	54 955	55 438	56 649	58 763
Non-financial assets					
Inventories	964	1 210	1 466	1 338	1 401
Non-financial assets held for sale	318	319	320	321	322
Land, buildings, infrastructure, plant and equipment	247 436	256 849	270 940	276 588	282 487
Other non-financial assets	2 851	3 020	4 042	5 463	6 169
Total non-financial assets	251 569	261 398	276 768	283 711	290 379
Total assets	306 528	316 354	332 206	340 359	349 143
Liabilities					
Deposits held and advances received	1 821	1 573	1 624	1 619	1 574
Payables	16 895	18 703	18 256	17 783	16 865
Borrowings	49 683	54 993	59 841	62 383	64 623
Employee benefits	7 295	7 656	7 980	8 283	8 590
Superannuation	24 272	23 232	22 148	21 028	19 975
Other provisions	30 686	32 306	34 284	36 017	37 839
Total liabilities	130 653	138 462	144 133	147 113	149 466
Net assets	175 875	177 892	188 073	193 246	199 676
Accumulated surplus/(deficit)	78 955	79 444	81 155	83 572	86 195
Reserves	96 921	98 447	106 918	109 674	113 481
Net worth	175 875	177 892	188 073	193 246	199 676
FISCAL AGGREGATES					
Net financial worth	(75 693)	(83 506)	(88 695)	(90 465)	(90 703)
Net financial liabilities	75 693	83 506	88 695	90 465	90 703
Net debt	4 283	9 655	14 334	16 026	16 475

Source: Department of Treasury and Finance

Table 2.18: State of Victoria cash flow statement for the financial year ended 30 June ^(a)
(\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Taxes received	21 839	23 462	24 467	25 415	26 794
Grants	29 829	32 730	32 294	33 391	34 103
Sales of goods and services ^(b)	16 541	18 805	17 967	18 966	19 125
Interest received	502	487	514	578	581
Dividends receipts	1 455	1 451	1 510	1 858	1 896
Other receipts	2 740	2 550	2 527	2 524	2 663
Total receipts	72 907	79 486	79 278	82 731	85 161
Payments					
Payments for employees	(23 920)	(26 398)	(27 237)	(28 229)	(29 244)
Superannuation	(3 329)	(3 518)	(3 577)	(3 631)	(3 637)
Interest paid	(2 531)	(2 635)	(2 718)	(2 828)	(2 889)
Grants and subsidies	(7 164)	(9 491)	(11 181)	(11 719)	(11 300)
Goods and services ^(b)	(29 260)	(29 533)	(28 190)	(29 125)	(29 964)
Other payments	(737)	(833)	(759)	(866)	(852)
Total payments	(66 940)	(72 409)	(73 662)	(76 399)	(77 885)
Net cash flows from operating activities	5 966	7 077	5 616	6 332	7 276
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(11 747)	(12 632)	(9 844)	(8 195)	(7 989)
Net cash flows from investments in financial assets for policy purposes	2 009	(161)	101	(21)	(49)
Net cash flows from investment in financial assets for liquidity management purposes	3 570	1 313	237	32	(935)
Net cash flows from investing activities	(6 169)	(11 481)	(9 507)	(8 184)	(8 973)
Cash flows from financing activities					
Advances received (net)	234	(244)	50	(5)	(44)
Net borrowings	669	4 892	3 816	2 029	1 812
Deposits received (net)	(353)	(4)	1	1	(2)
Net cash flows from financing activities	550	4 644	3 867	2 024	1 767
Net increase/(decrease) in cash and cash equivalents	348	239	(23)	172	70
Cash and cash equivalents at beginning of reporting period	5 868	6 216	6 456	6 432	6 604
Cash and cash equivalents at end of reporting period	6 216	6 456	6 432	6 604	6 674
FISCAL AGGREGATES					
Net cash flows from operating activities	5 966	7 077	5 616	6 332	7 276
Net cash flows from investments in non-financial assets	(11 747)	(12 632)	(9 844)	(8 195)	(7 989)
Cash surplus/(deficit)	(5 781)	(5 556)	(4 228)	(1 863)	(713)

Source: Department of Treasury and Finance

Notes:

(a) Due to commercial sensitivities certain line items have been aggregated.

(b) Inclusive of goods and services tax.

Table 2.19: State of Victoria statement of changes in equity for the financial year ended 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
2017-18 revised		
Balance at 1 July 2017	75 140	..
Net result for the year	1 853	..
Other comprehensive income for the year	608	..
Transfer to/(from) accumulated surplus	1 354	..
Total equity as at 30 June 2018	78 955	..
2018-19 budget		
Balance at 1 July 2018	78 955	..
Net result for the year	(491)	..
Other comprehensive income for the year	981	..
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2019	79 444	..
2019-20 estimate		
Balance at 1 July 2019	79 444	..
Net result for the year	710	..
Other comprehensive income for the year	1 001	..
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2020	81 155	..
2020-21 estimate		
Balance at 1 July 2020	81 155	..
Net result for the year	1 403	..
Other comprehensive income for the year	1 014	..
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2021	83 572	..
2021-22 estimate		
Balance at 1 July 2021	83 572	..
Net result for the year	1 588	..
Other comprehensive income for the year	1 035	..
Transfer to/(from) accumulated surplus	..	..
Total equity as at 30 June 2022	86 195	..

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
95 897	1 195	172 232
..	..	1 853
1 118	62	1 789
(1 353)	..	1
95 663	1 257	175 875
95 663	1 257	175 875
..	..	(491)
1 504	23	2 508
..
97 167	1 280	177 892
97 167	1 280	177 892
..	..	710
8 469	2	9 471
..
105 636	1 282	188 073
105 636	1 282	188 073
..	..	1 403
2 757	(2)	3 770
..
108 393	1 281	193 246
108 393	1 281	193 246
..	..	1 588
3 779	28	4 843
..
112 173	1 309	199 676

Table 2.20: Net acquisition of non-financial assets – State of Victoria ^(a) (\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Purchases of non-financial assets less sales of non-financial assets (including change in inventory)	11 779	12 636	9 821	8 199	7 993
Less: Depreciation	(5 059)	(5 253)	(5 520)	(5 975)	(6 229)
Plus: Other movements in non-financial assets ^(b)	992	733	2 333	2 247	1 431
Total net acquisition of non-financial assets	7 712	8 117	6 634	4 471	3 195

Source: Department of Treasury and Finance

Notes:

(a) Due to commercial sensitivities certain line items have been aggregated.

(b) The other movements in non-financial assets across the forward estimates predominantly relate to finance leases for the Ravenhall Prison project, the Bendigo Hospital – Stage 2, the New Schools PPP – Tranche 2, the High Capacity Metro Trains (HCMT) Project, the Western Roads Upgrade, the Melbourne Convention and Exhibition Centre – Stage 2 development, the Casey Hospital expansion, the Northern Roads Upgrade, and the South Eastern Roads Upgrade. The estimates also include State capital contributions to major projects across the years.

CHAPTER 3 – DEPARTMENTAL FINANCIAL STATEMENTS

This chapter should be read in conjunction with Budget Paper No. 3 *Service Delivery*, which overviews the goods and services funded by the Government that are to be delivered by departments in the coming financial year.

The following tables outline each department's forecast financial performance and position:

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

The 2017-18 budget figures have been restated to reflect the 2016-17 actual closing balances.

DEPARTMENT OF ECONOMIC DEVELOPMENT, JOBS, TRANSPORT AND RESOURCES

Operating performance

The Department of Economic Development, Jobs, Transport and Resources is estimating an operating deficit of \$141 million in 2018-19, compared to an estimated operating surplus in 2017-18 of \$157 million for the revised budget. This is largely the result of an expected increase in operating expenditure from trust balances and a reduction in operating income for capital projects.

Total operating income and expenses for 2018-19 include funding for initiatives announced in the *2018-19 Budget*, including:

- Better recreational facilities for Victorian waterways;
- Cranbourne-Pakenham and Sunbury Line Upgrades;
- Fixing country roads;
- Geelong fast rail planning with airport rail planning;
- Globally connected investment and trade;
- Metropolitan and regional road restoration and maintenance;
- More metropolitan train services; and
- Visitor Economy - Victoria's future jobs solution.

Balance sheet

The Department's net assets position is estimated to increase by \$870 million in 2018-19 compared to the 2017-18 revised budget. This primarily reflects an estimated increase in assets of \$1 billion, mainly relating to the construction of the existing road upgrade program and new roads as highlighted in the investing and financing section below.

Investing and finance

The expected investments in property, plant and equipment in 2018-19 include works for existing road, public transport and related asset projects such as the Level Crossing Removal Program and Metro Tunnel, as well as new initiatives announced in the *2018-19 Budget*, including:

- Cranbourne-Pakenham and Sunbury Line Upgrades;
- Metropolitan and regional road restoration and maintenance;
- North East Link – development to procurement; and
- Train station car parking.

Administered items statement

Transactions administered by the Department on behalf of the State in 2018-19 include collecting road and public transport regulatory fees and fines revenues. The estimates also progressively recognise concession fees paid in advance by Transurban under the CityLink contract.

The administered appropriations income and interest expense include the quarterly service payments associated with the Melbourne Convention and Exhibition Centre. The Department has previously recognised an administered liability for the lease payments and a loan receivable from the Melbourne Convention and Exhibition Trust.

Table 3.1.1: Comprehensive operating statement
(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	7 190	7 999	8 151	8 558
Special appropriations	7	181	277	294
Interest	19	18	17	17
Sale of goods and services	551	541	594	635
Grants	477	522	685	664
Fair value of assets and services received free of charge or for nominal consideration	64	55	80	56
Other income	232	168	188	183
Total income from transactions	8 540	9 484	9 991	10 408
Expenses from transactions				
Employee benefits	858	880	909	914
Depreciation	780	815	802	815
Interest expense	153	144	152	162
Grants and other transfers	3 587	3 753	3 673	3 977
Capital asset charge	226	229	229	234
Other operating expenses	3 294	3 637	4 068	4 447
Total expenses from transactions	8 897	9 457	9 833	10 549
Net result from transactions (net operating balance)	(357)	27	157	(141)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(47)	..	(1)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	1	..	..	..
Other gains/(losses) from economic flows	5	..	..	..
Total other economic flows included in net result	(41)	..	(1)	..
Net result	(397)	26	156	(141)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	4 572	3 324	(33)	(1)
Other	10	2	2	2
Total other economic flows – other comprehensive income	4 582	3 326	(31)	2
Comprehensive result	4 185	3 352	126	(140)

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

Table 3.1.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2017 actual</i>	<i>2018 budget</i>	<i>2018 revised</i>	<i>2019 budget</i>
Assets				
Financial assets				
Cash and deposits	1 895	1 450	1 270	396
Receivables from government	885	903	660	1 008
Other receivables	546	548	548	681
Other financial assets	215	217	217	216
Total financial assets	3 541	3 118	2 694	2 300
Non-financial assets				
Inventories	30	21	21	11
Property, plant and equipment	61 265	65 333	62 251	63 395
Biological assets	2	2	2	2
Intangible assets	135	113	115	94
Other	27	154	286	567
Total non-financial assets	61 460	65 623	62 676	64 069
Total assets	65 001	68 741	65 370	66 369
Liabilities				
Payables	1 599	1 565	1 932	1 619
Borrowings	1 576	1 541	1 542	1 956
Provisions	1 180	1 206	875	903
Total liabilities	4 355	4 312	4 348	4 478
Net assets	60 646	64 429	61 022	61 892
Equity				
Accumulated surplus/(deficit)	15 333	15 360	15 490	15 350
Reserves	24 914	28 239	24 882	24 883
Contributed capital	20 399	20 829	20 649	21 659
Total equity	60 646	64 429	61 022	61 892

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

Table 3.1.3: Statement of cash flows
(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	7 438	8 199	8 349	8 835
Receipts from other entities	1 105	1 077	1 301	1 343
Interest received	19	18	17	17
Other receipts	158	126	136	134
Total receipts	8 720	9 420	9 802	10 329
Payments				
Payments of grants and other transfers	(3 223)	(3 753)	(3 933)	(4 258)
Payments to suppliers and employees	(3 970)	(4 604)	(5 161)	(5 314)
Capital asset charge	(226)	(229)	(229)	(234)
Interest and other costs of finance paid	(147)	(144)	(152)	(162)
Total payments	(7 565)	(8 730)	(9 474)	(9 968)
Net cash flows from/(used in) operating activities	1 155	691	328	361
Cash flows from investing activities				
Net investment	(5)	..	..	2
Payments for non-financial assets	(4 414)	(5 601)	(6 923)	(5 385)
Proceeds from sale of non-financial assets	8	..	..	..
Net loans to other parties	(132)	1	1	(130)
Net cash flow from/(used in) investing activities	(4 542)	(5 600)	(6 922)	(5 513)
Cash flows from financing activities				
Owner contributions by State Government	3 490	4 512	5 427	4 887
Repayment of finance leases	(32)	(35)	(34)	(37)
Net borrowings	77	(12)	576	(571)
Net cash flows from/(used in) financing activities	3 535	4 465	5 969	4 278
Net increase/(decrease) in cash and cash equivalents	148	(444)	(625)	(874)
Cash and cash equivalents at the beginning of the financial year	1 747	1 895	1 895	1 270
Cash and cash equivalents at the end of the financial year	1 895	1 450	1 270	396

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

Table 3.1.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2016	15 837	20 023	20 444	19	56 323
Comprehensive result	(440)	..	4 615	10	4 184
Transactions with owners in their capacity as owners	(64)	377	(174)	..	139
Closing balance 30 June 2017 (actual)	15 333	20 399	24 885	29	60 646
Comprehensive result	28	..	3 324	1	3 352
Transactions with owners in their capacity as owners	..	430	..	..	430
Closing balance 30 June 2018 (budget)	15 360	20 829	28 209	30	64 429
Comprehensive result	157	..	(33)	1	126
Transactions with owners in their capacity as owners	..	250	..	..	250
Closing balance 30 June 2018 (revised)	15 490	20 649	24 852	30	61 022
Comprehensive result	(141)	..	(1)	2	(140)
Transactions with owners in their capacity as owners	..	1 010	..	..	1 010
Closing balance 30 June 2019 (budget)	15 350	21 659	24 851	32	61 892

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

Table 3.1.5: Administered items statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Administered income				
Appropriations – Payments made on behalf of the State	65	71	76	73
Sale of goods and services	230	257	214	253
Grants	1	2	2	1
Interest	11	10	10	10
Other income	2 610	2 684	2 496	2 746
Total administered income	2 917	3 024	2 798	3 083
Administered expenses				
Expenses on behalf of the State	234	19	19	20
Grants and other transfers	5	5	10	6
Payments into the Consolidated Fund	2 928	3 000	2 770	2 923
Interest expense	71	71	71	70
Total administered expenses	3 238	3 096	2 871	3 018
Income less expenses	(321)	(72)	(72)	64
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	89	18	18	12
Net gain/(loss) on financial instruments and statutory receivables/payables	8 816	(17)	(17)	(17)
Total other economic flows included in net result	8 906	1	1	(5)
Net result	8 584	(71)	(71)	60
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	8 584	(71)	(71)	60
Administered assets				
Cash and deposits	15	15	15	15
Receivables	441	443	443	445
Other financial assets	3	3	63	63
Property, plant and equipment	58	58	58	58
Total administered assets	517	519	579	581
Administered liabilities				
Payables	586	677	677	835
Borrowings	452	446	446	439
Total administered liabilities	1 038	1 123	1 123	1 274
Net assets	(521)	(604)	(545)	(693)

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

Table 3.1.6: Payments made on behalf of the state

(\$ million)

<i>Accounts</i>	<i>2017-18 budget</i>	<i>2017-18 revised</i>	<i>2018-19 budget</i>
Finance lease interest	40	40	40
Grants to public non-financial corporations	5	5	6
Finance lease liability	6	6	8
Treasurer's Advance	..	5	..
Others	19	19	20
Total	71	76	73

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

DEPARTMENT OF EDUCATION AND TRAINING

Operating performance

The Department of Education and Training is expected to report an operating surplus of \$371 million in 2018-19.

The operating statement shows total income from transactions of \$15.3 billion in 2018-19, compared to the 2017-18 revised budget of \$14.2 billion. This is primarily a result of increased funding for higher enrolment numbers in Victorian schools and additional *2018-19 Budget* initiatives including:

- Camps, Sports and Excursions Fund;
- Free TAFE for priority courses;
- Program for students with disabilities – Demand; and
- Responding to Victorian job growth with more training.

Operating expenses are budgeted to increase by \$1.0 billion to \$14.9 billion in 2018-19, compared to the 2017-18 revised budget, broadly in line with the revenue increase for the year.

Balance sheet

The Department's net assets position as at 30 June 2019 is expected to increase by \$1.2 billion compared to the 2017-18 revised budget, reflecting an increase in total assets of \$1.3 billion and an increase in total liabilities of \$69 million.

The increase in total assets reflects the Government's continued investment in major building upgrades, and the construction of new schools and relocatable classrooms.

Investing and finance

Cash flows from investing activities primarily reflect the significant investment in purchases of property, plant and equipment for *Building the Education State* and additional *2018-19 Budget* initiatives including:

- Land acquisition;
- New schools construction;
- School upgrades; and
- Victorian school asbestos program.

Administered items statement

Total administered income of the Department is expected to increase by \$193 million in 2018-19, compared to the 2017-18 revised budget. This reflects an increase in recurrent Commonwealth funding provided to the non-government school sector under the School Funding Reform framework as part of the Commonwealth's *Australian Education Act 2013*.

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

Table 3.2.1: Comprehensive operating statement
(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	12 184	12 767	12 899	13 848
Special appropriations	13	6	18	..
Interest	23	22	22	17
Sale of goods and services	559	721	592	651
Grants	17	13	44	132
Other income	610	593	655	663
Total income from transactions	13 407	14 122	14 229	15 312
Expenses from transactions				
Employee benefits	6 780	7 147	7 360	7 857
Depreciation	422	464	462	490
Interest expense	20	15	15	15
Grants and other transfers	1 046	1 018	1 076	1 171
Capital asset charge	1 467	1 494	1 495	1 599
Other operating expenses	3 305	3 814	3 490	3 810
Total expenses from transactions	13 041	13 952	13 898	14 941
Net result from transactions (net operating balance)	366	170	332	371
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	4	..	10	2
Net gain/(loss) on financial instruments and statutory receivables/payables	(4)	..	(1)	..
Other gains/(losses) from economic flows	85	..	(1)	(1)
Total other economic flows included in net result	84	..	8	..
Net result	450	169	340	372
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	117	9	(18)	12
Other	..	5	25	(5)
Total other economic flows – other comprehensive income	117	14	7	7
Comprehensive result	568	184	347	379

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

Table 3.2.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2017 actual</i>	<i>2018 budget</i>	<i>2018 revised</i>	<i>2019 budget</i>
Assets				
Financial assets				
Cash and deposits	1 049	1 032	1 119	1 074
Receivables from government	2 025	1 943	2 022	2 153
Other receivables	123	139	126	76
Other financial assets	475	561	533	608
Total financial assets	3 672	3 675	3 800	3 912
Non-financial assets				
Inventories	2	1	1	2
Non-financial assets classified as held for sale including disposal group assets	33	30	16	17
Property, plant and equipment	22 412	23 170	23 247	24 421
Investment properties	93	97	93	93
Intangible assets	74	55	59	40
Other	40	40	41	37
Total non-financial assets	22 653	23 394	23 458	24 611
Total assets	26 325	27 069	27 257	28 522
Liabilities				
Payables	694	688	656	647
Borrowings	407	548	559	535
Provisions	1 560	1 619	1 655	1 757
Total liabilities	2 661	2 854	2 870	2 939
Net assets	23 664	24 215	24 388	25 584
Equity				
Accumulated surplus/(deficit)	2 824	2 999	3 187	3 554
Reserves	11 422	11 431	11 406	11 418
Contributed capital	9 418	9 785	9 795	10 612
Total equity	23 664	24 215	24 388	25 584

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

Table 3.2.3: Statement of cash flows
(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	11 939	12 862	12 941	13 729
Receipts from other entities ^(a)	546	636	510	701
Interest received	23	23	22	17
Other receipts ^(a)	680	663	753	781
Total receipts	13 188	14 184	14 226	15 228
Payments				
Payments of grants and other transfers	(1 031)	(1 017)	(1 074)	(1 169)
Payments to suppliers and employees	(9 908)	(10 902)	(10 782)	(11 564)
Capital asset charge	(1 467)	(1 494)	(1 495)	(1 599)
Interest and other costs of finance paid	(20)	(15)	(15)	(15)
Total payments	(12 426)	(13 428)	(13 366)	(14 347)
Net cash flows from/(used in) operating activities	762	756	860	881
Cash flows from investing activities				
Net investment	(52)	(86)	(58)	(76)
Payments for non-financial assets	(679)	(1 040)	(1 132)	(1 637)
Proceeds from sale of non-financial assets	10	1	25	1
Net loans to other parties	2	3	5	3
Net cash flow from/(used in) investing activities	(720)	(1 121)	(1 161)	(1 708)
Cash flows from financing activities				
Owner contributions by State Government	32	367	389	816
Repayment of finance leases	(5)	(10)	..	(24)
Net borrowings	(13)	(9)	(18)	(9)
Net cash flows from/(used in) financing activities	13	348	370	783
Net increase/(decrease) in cash and cash equivalents	55	(17)	70	(45)
Cash and cash equivalents at the beginning of the financial year	994	1 049	1 049	1 119
Cash and cash equivalents at the end of the financial year	1 049	1 032	1 119	1 074

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

Note:

(a) The 2017-18 budget figures have been reclassified to reflect more current information.

Table 3.2.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2016	2 374	9 402	11 303	2	23 080
Comprehensive result	450	..	117	1	568
Transactions with owners in their capacity as owners	..	16	..	..	16
Closing balance 30 June 2017 (actual)	2 824	9 418	11 419	3	23 664
Comprehensive result	175	..	9	..	184
Transactions with owners in their capacity as owners	..	367	..	..	367
Closing balance 30 June 2018 (budget)	2 999	9 785	11 428	3	24 215
Comprehensive result	363	..	(18)	1	347
Transactions with owners in their capacity as owners	..	377	..	..	377
Closing balance 30 June 2018 (revised)	3 187	9 795	11 402	4	24 388
Comprehensive result	367	..	12	..	379
Transactions with owners in their capacity as owners	..	817	..	..	817
Closing balance 30 June 2019 (budget)	3 554	10 612	11 414	4	25 584

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

Table 3.2.5: Administered items statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Administered income				
Sale of goods and services	71	62	65	70
Grants	3 032	3 201	3 224	3 411
Other income	2	2	2	2
Total administered income	3 105	3 264	3 290	3 483
Administered expenses				
Expenses on behalf of the State	1	..	..	..
Grants and other transfers	3 030	3 193	3 216	3 404
Payments into the Consolidated Fund	80	104	119	112
Total administered expenses	3 111	3 297	3 336	3 516
Income less expenses	(5)	(33)	(45)	(33)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	8	33	45	33
Total other economic flows included in net result	8	33	45	33
Net result	3	..	..	..
Comprehensive result	3	..	..	..
Administered assets				
Cash and deposits	1	..	..	..
Receivables	16	16	16	16
Other financial assets	1	1	1	1
Total administered assets	18	18	18	18
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	18	18	18	18

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

DEPARTMENT OF ENVIRONMENT, LAND, WATER AND PLANNING

Operating performance

The Department of Environment, Land, Water and Planning is expected to report an operating deficit of \$253 million in 2018-19. This deficit is primarily attributable to the drawdown of cash balances from the Sustainability Fund and the Growth Areas Infrastructure Contribution for a range of *2018-19 Budget* initiatives such as land acquisition and construction of new schools in Hume, Melton, Casey and Wyndham and public transport initiatives and assets in growth areas.

Income from transactions is expected to increase by \$16 million in 2018-19, compared to the 2017-18 revised budget. This is driven primarily by funding of new initiatives in the *2018-19 Budget*, partly offset by the funding profile of a range of initiatives.

The major new output initiatives announced in the *2018-19 Budget* include:

- Building a safer Victoria;
- Delivering greater community value from our forests;
- Growing Suburbs Fund;
- Reforming local government planning;
- Rural council transformation; and
- Securing the benefits of parks for all Victorians.

Operating expenses are estimated to increase by \$275 million, due to the factors outlined above and other new initiatives being funded from the Sustainability Fund including:

- Bringing the Environment Protection Authority into the modern era; and
- Recycling industry assistance package.

Balance sheet

The Department's net assets position is estimated to decrease by \$199 million in 2018-19, compared to the 2017-18 revised budget as a result of total assets decreasing by \$208 million, partly offset by expected reduced liabilities of \$9 million.

The change in total assets primarily reflects an expected reduction in a prepayment to the Goulburn-Murray Rural Water Corporation and the cash drawdown associated with the initiatives funded through the Growth Areas Infrastructure Contribution.

Investing and financing

The Department is anticipating a decrease of \$142 million in its net cash position in 2018-19, compared to the 2017-18 revised budget, mainly due to the cash drawdown for initiatives funded through the Growth Areas Infrastructure Contribution.

Total receipts are expected to increase by \$73 million in 2018-19 primarily as a result of increased appropriations from the Government.

Cash flows from investing activities for 2018-19 include payments for non-financial assets of \$169 million, reflecting the Government's continued investment in the environment, land, water and planning sectors. The Government's investment in new asset initiatives in the *2018-19 Budget* includes:

- Improving the Olinda Precinct;
- Providing planning certainty for managed growth;
- Land acquisition at Jacksons Hill;
- Reforming local government planning; and
- Securing the benefits of parks for all Victorians.

Administered items statement

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

Commonwealth funding reflected as grants includes a range of Commonwealth own-purpose payments primarily for financial assistance and local roads grants for on-passing to local government.

Other than Commonwealth grants, the Department's administered income primarily comprises contributions to the Victorian Desalination project, the Goulburn-Murray Water Connections project, the Environmental Contribution Levy and Consolidated Fund revenue collected by Land Use Victoria.

Administered revenue is expected to increase by \$374 million in 2018-19, compared to 2017-18, primarily as a result of the Commonwealth rephasing into 2016-17 some of the 2017-18 grants to local government for on-passing.

Table 3.3.1: Comprehensive operating statement
(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	1 376	1 450	1 430	1 502
Special appropriations	137	93	122	145
Interest	19	25	14	12
Sale of goods and services	65	51	55	43
Grants	194	187	198	130
Other income	248	272	294	296
Total income from transactions	2 040	2 077	2 112	2 128
Expenses from transactions				
Employee benefits	400	437	460	463
Depreciation	58	53	52	53
Interest expense	1	1	1	1
Grants and other transfers	704	782	835	1 053
Capital asset charge	92	93	93	93
Other operating expenses	586	773	666	718
Total expenses from transactions	1 840	2 139	2 106	2 381
Net result from transactions (net operating balance)	199	(62)	6	(253)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(12)	..	(1)	12
Net gain/(loss) on financial instruments and statutory receivables/payables	3	..	4	3
Other gains/(losses) from economic flows	1	..	..	..
Total other economic flows included in net result	(8)	..	3	16
Net result	191	(62)	9	(238)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	25	..	..	..
Financial assets available-for-sale reserve	(9)	..	..	..
Other	(144)	..	..	..
Total other economic flows – other comprehensive income	(127)	..	..	..
Comprehensive result	64	(62)	9	(238)

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

Table 3.3.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2017 actual</i>	<i>2018 budget</i>	<i>2018 revised</i>	<i>2019 budget</i>
Assets				
Financial assets				
Cash and deposits	440	523	465	323
Receivables from government	74	94	131	123
Other receivables	143	142	142	142
Other financial assets	788	686	722	681
Total financial assets	1 445	1 446	1 461	1 269
Non-financial assets				
Inventories	19	24	24	28
Non-financial assets classified as held for sale including disposal group assets	12	12	12	12
Property, plant and equipment	8 402	8 366	8 330	8 369
Intangible assets	40	40	55	66
Other	149	68	132	61
Total non-financial assets	8 621	8 509	8 552	8 536
Total assets	10 066	9 955	10 013	9 805
Liabilities				
Payables	116	114	114	112
Borrowings	36	28	29	21
Provisions	133	134	134	134
Total liabilities	284	275	276	267
Net assets	9 781	9 680	9 737	9 538
Equity				
Accumulated surplus/(deficit)	476	414	485	247
Reserves	6 760	6 760	6 760	6 760
Contributed capital	2 545	2 506	2 492	2 531
Total equity	9 781	9 680	9 737	9 538

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

Table 3.3.3: Statement of cash flows

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	1 541	1 530	1 509	1 656
Receipts from other entities	635	608	637	559
Interest received	19	25	14	12
Other receipts	16	..	8	13
Total receipts	2 211	2 163	2 167	2 240
Payments				
Payments of grants and other transfers	(833)	(881)	(939)	(1 155)
Payments to suppliers and employees	(1 112)	(1 136)	(1 115)	(1 116)
Capital asset charge	(92)	(93)	(93)	(93)
Interest and other costs of finance paid	(1)	(1)	(1)	(1)
Total payments	(2 037)	(2 110)	(2 148)	(2 365)
Net cash flows from/(used in) operating activities	173	53	19	(125)
Cash flows from investing activities				
Net investment	(281)	102	69	44
Payments for non-financial assets	(75)	(105)	(86)	(169)
Proceeds from sale of non-financial assets	7	..	2	12
Net (purchase)/disposal of investments – policy purposes	11	..	..	..
Net cash flow from/(used in) investing activities	(338)	(3)	(15)	(112)
Cash flows from financing activities				
Owner contributions by State Government	8	49	35	104
Net borrowings	36	(15)	(14)	(9)
Net cash flows from/(used in) financing activities	44	34	21	95
Net increase/(decrease) in cash and cash equivalents	(120)	83	25	(142)
Cash and cash equivalents at the beginning of the financial year	560	440	440	465
Cash and cash equivalents at the end of the financial year	440	523	465	323

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

Table 3.3.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2016	428	2 519	6 735	9	9 691
Comprehensive result	48	..	25	(9)	64
Transactions with owners in their capacity as owners	..	26	..	..	26
Closing balance 30 June 2017 (actual)	476	2 545	6 760	..	9 781
Comprehensive result	(62)	..	..	..	(62)
Transactions with owners in their capacity as owners	..	(39)	..	..	(39)
Closing balance 30 June 2018 (budget)	414	2 506	6 760	..	9 680
Comprehensive result	9	..	..	..	9
Transactions with owners in their capacity as owners	..	(53)	..	..	(53)
Closing balance 30 June 2018 (revised)	485	2 492	6 760	..	9 737
Comprehensive result	(238)	..	..	..	(238)
Transactions with owners in their capacity as owners	..	39	..	..	39
Closing balance 30 June 2019 (budget)	247	2 531	6 760	..	9 538

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

Table 3.3.5: Administered items statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Administered income				
Appropriations – payments made on behalf of the State	655	644	646	677
Sale of goods and services	536	480	573	610
Grants	848	601	323	603
Interest	444	439	432	423
Other income	309	262	258	292
Total administered income	2 791	2 426	2 231	2 605
Administered expenses				
Expenses on behalf of the State	126	128	125	156
Grants and other transfers	850	589	322	621
Payments into the Consolidated Fund	1 206	1 285	1 361	1 406
Interest and Depreciation expense	425	439	432	423
Total administered expenses	2 607	2 440	2 240	2 606
Income less expenses	183	(15)	(9)	(1)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	3	..	..	..
Total other economic flows included in net result	3	..	..	..
Net result	187	(15)	(9)	(1)
Other economic flows – other comprehensive income				
Asset revaluation reserve	18	..	..	..
Other	23	..	..	..
Total other economic flows – other comprehensive income	41	..	..	..
Comprehensive result	228	(15)	(9)	(1)
Administered assets				
Cash and deposits	43	43	43	43
Receivables	4 259	4 203	4 197	4 126
Property, plant and equipment	709	709	709	709
Intangible assets	283	258	258	220
Total administered assets	5 295	5 214	5 207	5 099
Administered liabilities				
Payables	105	105	105	104
Borrowings	4 128	4 074	4 067	3 997
Total administered liabilities	4 232	4 178	4 172	4 101
Net assets	1 062	1 035	1 035	997

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

Table 3.3.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2017-18 budget</i>	<i>2017-18 revised</i>	<i>2018-19 budget</i>
Murray-Darling Basin contribution	24	27	28
Victorian Desalination Project	620	619	649
Total	644	646	677

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

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Operating performance

The Department of Health and Human Services is expected to report an operating surplus of \$220 million in 2018-19.

The operating statement shows an increase in income of \$1.5 billion between the 2017-18 revised budget and the 2018-19 budget. This is due to the continuing implementation of existing initiatives, additional funding for anticipated cost increases in 2018-19, and additional Commonwealth funding available under the existing National Health Reform Agreement expiring on 30 June 2020. The year-on-year increase also includes funding of the following initiatives announced in the *2018-19 Budget*:

- Aboriginal 10-Year Family Violence Plan;
- Grampians residential rehabilitation facility;
- Homelessness and Rough Sleeping Action Plan;
- Improving access to elective surgery;
- Improving home-based care for children in out-of-home care;
- Intervening earlier to strengthen responses to families;
- Meeting clinical services demand;
- Meeting hospital services demand;
- Reforming clinical mental health services; and
- Victorian Major Stadia Funding Program.

Operating expenses are similarly budgeted to increase by \$1.5 billion between the 2017-18 revised budget and 2018-19 budget primarily due to the factors outlined above.

Balance sheet

The Department's net assets position is estimated to improve by \$354 million between the 2017-18 revised budget and the 2018-19 budget, reflecting an increase in total assets of \$373 million, and an increase in total liabilities of \$19 million.

The estimated increase in assets is mainly due the Government's commitment to improve health infrastructure across the State, based on modern service models and needs for the future. This includes asset investments in previous budgets and new asset funding as outlined in the investing and finance section below.

The increase in liabilities primarily reflects an increase in health sector employee leave entitlements.

Investing and finance

Cash flows from investing activities include payments for property, plant and equipment reflecting the Government's continued asset investment in the health and community services sectors, and new asset projects funded in the *2018-19 Budget* including:

- Ballarat Base Hospital expansion and redevelopment;
- Engineering infrastructure replacement program;
- High-Rise Fire Upgrade program;
- Medical equipment replacement program;
- New regional alcohol and drug residential rehabilitation facilities;
- Sports and recreation opportunities in our parks;
- State Netball and Hockey Centre redevelopment;
- Sunshine Hospital emergency department;
- The Alfred Hospital urgent infrastructure;
- Wonthaggi Hospital expansion; and
- various upgrades and expansions across several health facilities.

Administered items statement

Income administered by the Department on behalf of the State and third parties is forecast to increase by \$1.4 billion from the 2017-18 revised budget to the 2018-19 budget primarily due to expected increases in Commonwealth funding of the National Health Funding Pool, and funding contributions reflecting the projected client transition into the National Disability Insurance Scheme.

Table 3.4.1: Comprehensive operating statement
(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	13 755	14 708	14 951	16 053
Special appropriations	1 335	1 401	1 342	1 355
Interest	45	38	46	48
Sale of goods and services	1 566	1 819	1 653	1 734
Grants	6 189	6 150	6 545	6 813
Fair value of assets and services received free of charge or for nominal consideration	155	..	4	1
Other income	666	701	651	681
Total income from transactions	23 711	24 817	25 192	26 683
Expenses from transactions				
Employee benefits	10 905	11 449	11 630	12 806
Depreciation	909	938	937	965
Interest expense	187	224	196	187
Grants and other transfers	2 090	2 319	2 352	3 028
Capital asset charge	1 117	1 201	1 201	1 267
Other operating expenses	7 867	8 512	8 682	8 211
Total expenses from transactions	23 074	24 643	24 999	26 464
Net result from transactions (net operating balance)	637	174	194	220
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(10)	1	1	1
Net gain/(loss) on financial instruments and statutory receivables/payables	(35)	(26)	(26)	(26)
Other gains/(losses) from economic flows	59	(5)	(5)	(5)
Total other economic flows included in net result	13	(30)	(30)	(30)
Net result	651	143	163	189
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	344	..	2	..
Financial assets available-for-sale reserve	11	..	..	..
Other	71	..	(46)	..
Total other economic flows – other comprehensive income	426	..	(45)	..
Comprehensive result	1 077	143	118	189

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

Table 3.4.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2017 actual</i>	<i>2018 budget</i>	<i>2018 revised</i>	<i>2019 budget</i>
Assets				
Financial assets				
Cash and deposits	1 193	1 313	1 293	1 415
Receivables from government	2 475	2 668	2 864	2 876
Other receivables	603	601	602	601
Other financial assets	945	945	945	945
Investments accounted for using equity method	36	36	36	36
Total financial assets	5 252	5 564	5 741	5 874
Non-financial assets				
Inventories	83	83	83	83
Non-financial assets classified as held for sale including disposal group assets	86	86	86	86
Property, plant and equipment	16 586	16 745	16 509	16 765
Investment properties	39	39	39	39
Intangible assets	217	201	206	183
Other	153	123	110	117
Total non-financial assets	17 164	17 277	17 033	17 273
Total assets	22 417	22 841	22 774	23 147
Liabilities				
Payables	2 034	2 036	2 037	2 039
Borrowings	3 002	2 965	2 884	2 776
Provisions	2 865	2 990	2 990	3 116
Total liabilities	7 901	7 991	7 912	7 931
Net assets	14 516	14 850	14 862	15 216
Equity				
Accumulated surplus/(deficit)	1 779	1 919	1 893	2 078
Reserves	6 846	6 846	6 847	6 847
Contributed capital	5 891	6 085	6 122	6 291
Total equity	14 516	14 850	14 862	15 216

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

Table 3.4.3: Statement of cash flows

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Receipts				
Receipts from Government	16 322	17 084	17 090	18 642
Receipts from other entities	6 439	6 670	6 884	7 170
Interest received	45	38	46	48
Other receipts	710	804	749	782
Total receipts	23 516	24 596	24 769	26 641
Payments				
Payments of grants and other transfers	(2 081)	(2 282)	(2 315)	(3 028)
Payments to suppliers and employees	(18 387)	(19 842)	(20 167)	(20 897)
Capital asset charge	(1 117)	(1 201)	(1 201)	(1 267)
Interest and other costs of finance paid	(187)	(224)	(196)	(187)
Total payments	(21 772)	(23 549)	(23 879)	(25 379)
Net cash flows from/(used in) operating activities	1 745	1 047	890	1 262
Cash flows from investing activities				
Net investment	(204)	5	5	5
Payments for non-financial assets	(1 302)	(1 073)	(772)	(1 207)
Proceeds from sale of non-financial assets	23	3	3	3
Net loans to other parties	1	2	1	1
Net cash flow from/(used in) investing activities	(1 483)	(1 062)	(763)	(1 197)
Cash flows from financing activities				
Owner contributions by State Government	1	194	109	168
Repayment of finance leases	(55)	(52)	(132)	(106)
Net borrowings	10	(6)	(4)	(5)
Net cash flows from/(used in) financing activities	(45)	136	(27)	57
Net increase/(decrease) in cash and cash equivalents	217	120	100	122
Cash and cash equivalents at the beginning of the financial year	976	1 193	1 193	1 293
Cash and cash equivalents at the end of the financial year	1 193	1 313	1 293	1 415

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

Table 3.4.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2016	1 119	6 245	5 721	471	13 556
Comprehensive result	597	..	344	137	1 077
Transactions with owners in their capacity as owners	64	(354)	174	..	(117)
Closing balance 30 June 2017 (actual)	1 779	5 891	6 238	607	14 516
Comprehensive result	143	..	..	..	143
Transactions with owners in their capacity as owners	(4)	194	..	..	190
Closing balance 30 June 2018 (budget)	1 919	6 085	6 238	607	14 850
Comprehensive result	117	..	2	..	118
Transactions with owners in their capacity as owners	(4)	231	..	..	228
Closing balance 30 June 2018 (revised)	1 893	6 122	6 240	607	14 862
Comprehensive result	189	..	..	..	189
Transactions with owners in their capacity as owners	(4)	168	..	..	164
Closing balance 30 June 2019 (budget)	2 078	6 291	6 240	607	15 216

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

Table 3.4.5: Administered items statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Administered income				
Appropriations – Payments made on behalf of the State	..	61	60	62
Sale of goods and services	349	336	347	360
Grants	9 265	9 834	10 289	11 672
Interest	1	3	3	3
Other income	27	24	26	10
Total administered income	9 642	10 259	10 726	12 108
Administered expenses				
Expenses on behalf of the State	744	742	782	717
Grants and other transfers	8 442	9 111	9 489	10 980
Payments into the Consolidated Fund	456	417	467	418
Total administered expenses	9 642	10 270	10 737	12 116
Income less expenses	..	(12)	(11)	(8)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(25)	12	12	8
Total other economic flows included in net result	(25)	12	12	8
Net result	(25)	..	..	..
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	(25)	..	..	..
Administered assets				
Cash and deposits	2	2	2	2
Receivables	43	43	43	43
Other financial assets	4	4	4	4
Other	4	4	4	4
Total administered assets	53	53	53	53
Administered liabilities				
Payables	32	32	32	32
Provisions	8	8	8	8
Total administered liabilities	40	40	40	40
Net assets	13	13	13	13

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

Table 3.4.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2017-18 budget</i>	<i>2017-18 revised</i>	<i>2018-19 budget</i>
National Disability Insurance Agency	60	60	62
Others	1	..	..
Total	61	60	62

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

DEPARTMENT OF JUSTICE AND REGULATION

Operating performance

The Department of Justice and Regulation is expected to report an operating deficit of \$9 million in 2018-19, which is an improvement from the 2017-18 revised operating deficit of \$31 million.

The estimated deficit of \$9 million in 2018-19 reflects lower forecast investment returns on departmental trust funds.

The operating statement shows an increase in operating income of \$656 million between the 2017-18 revised budget and the 2018-19 budget. This increase is primarily due to funding growth associated with previous budget initiatives including the 2017 Community Safety Statement, management of serious offenders, and investment in additional beds across the corrections system, which includes the first full year of operation of the Ravenhall Correctional Centre. Also contributing to the increase are new output initiatives announced in the *2018-19 Budget* including:

- Additional drug tests on our roads;
- Emergency Services Telecommunications Authority baseline funding;
- Melbourne CBD security measures; and
- Strengthening the youth justice system.

Operating expenses in 2018-19 are forecast to increase by approximately the same amount as income due to the factors identified above.

Balance sheet

The Department's 2018-19 net assets position is estimated to increase by \$481 million compared to the 2017-18 revised budget. This movement is primarily driven by the factors outlined in the investing and financing section below.

Investing and finance

The decrease in payments for non-financial assets in the 2018-19 budget relative to the 2017-18 revised budget reflects the State's contribution payments for the Ravenhall Correctional Centre in the 2017-18 financial year. This is partly offset by the following:

- Funding growth associated with initiatives announced in previous budgets and the *2017-18 Budget Update*, including prison capacity expansion, youth justice secure bed expansion, the 2017 Community Safety Statement, and relocating one of the Emergency Services Telecommunications Authority's communication centres to a new facility; and
- New asset initiatives announced in the *2018-19 Budget* for police and emergency services infrastructure, including the Police stations, Craigieburn fire station and Emergency services high-priority infrastructure initiatives.

Administered items statement

The Department is responsible for administering revenue from a range of fines and regulatory fees, as well as lottery and gaming license and taxation.

Income administered by the Department on behalf of the State and third parties is forecast to rise by \$82 million in 2018-19 primarily driven by a forecast increase in gaming taxation revenue estimates. The increase is partly offset by a forecast decrease in traffic camera revenue as a result of planned roadworks.

Administered expenses are expected to increase by \$164 million, primarily due to a new 10-year Public Lottery License agreement with Tattersalls. Under this agreement, Tattersalls will pay the license fee in advance on 1 July 2018, while the revenue associated with the license will be recognised over the term of the license.

Table 3.5.1: Comprehensive operating statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	6 054	6 684	6 754	7 400
Special appropriations	1	1	1	1
Interest	55	49	55	54
Sale of goods and services	21	18	18	18
Grants	69	73	77	84
Fair value of assets and services received free of charge or for nominal consideration	..	..	..	..
Other income	52	28	28	31
Total income from transactions	6 252	6 854	6 933	7 589
Expenses from transactions				
Employee benefits	3 051	3 303	3 376	3 515
Depreciation	208	238	247	295
Interest expense	23	54	54	69
Grants and other transfers	1 293	1 305	1 335	1 466
Capital asset charge	245	268	268	290
Other operating expenses	1 409	1 693	1 685	1 964
Total expenses from transactions	6 229	6 861	6 964	7 597
Net result from transactions (net operating balance)	23	(7)	(31)	(9)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	10	11	11	11
Net gain/(loss) on financial instruments and statutory receivables/payables	(4)	..	..	..
Other gains/(losses) from economic flows	5	..	..	..
Total other economic flows included in net result	11	11	11	11
Net result	34	4	(20)	2
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	51	..	..	..
Other	(1)	..	..	..
Total other economic flows – other comprehensive income	50	..	..	..
Comprehensive result	84	4	(20)	2

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

Table 3.5.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2017</i> <i>actual</i>	<i>2018</i> <i>budget</i>	<i>2018</i> <i>revised</i>	<i>2019</i> <i>budget</i>
Assets				
Financial assets				
Cash and deposits	206	97	213	221
Receivables from government	822	975	963	1 163
Other receivables	77	77	77	77
Other financial assets	337	346	226	216
Total financial assets	1 442	1 495	1 479	1 677
Non-financial assets				
Inventories	15	15	15	15
Non-financial assets classified as held for sale including disposal group assets	6	6	6	6
Property, plant and equipment	4 291	5 323	5 312	5 618
Intangible assets	90	122	123	106
Other	29	29	29	29
Total non-financial assets	4 431	5 495	5 485	5 774
Total assets	5 873	6 990	6 964	7 451
Liabilities				
Payables	349	355	355	361
Borrowings	264	705	705	664
Provisions	783	824	824	866
Total liabilities	1 396	1 884	1 884	1 890
Net assets	4 477	5 106	5 080	5 561
Equity				
Accumulated surplus/(deficit)	1 194	1 197	1 174	1 176
Reserves	1 363	1 363	1 363	1 363
Contributed capital	1 920	2 546	2 544	3 022
Total equity	4 477	5 106	5 080	5 561

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

Table 3.5.3: Statement of cash flows
(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	5 943	6 537	6 619	7 205
Receipts from other entities	98	88	91	99
Interest received	55	48	55	53
Other receipts	51	29	29	32
Total receipts	6 147	6 702	6 794	7 389
Payments				
Payments of grants and other transfers	(1 293)	(1 306)	(1 337)	(1 467)
Payments to suppliers and employees	(4 390)	(4 950)	(5 014)	(5 431)
Capital asset charge	(245)	(268)	(268)	(290)
Interest and other costs of finance paid	(22)	(54)	(54)	(68)
Total payments	(5 950)	(6 577)	(6 672)	(7 256)
Net cash flows from/(used in) operating activities	197	125	122	133
Cash flows from investing activities				
Net investment	(69)	(8)	111	11
Payments for non-financial assets	(317)	(848)	(847)	(607)
Proceeds from sale of non-financial assets	28	34	34	34
Net cash flow from/(used in) investing activities	(357)	(823)	(702)	(562)
Cash flows from financing activities				
Owner contributions by State Government	29	626	623	479
Repayment of finance leases	(13)	(18)	(18)	(23)
Net borrowings	(6)	(19)	(19)	(19)
Net cash flows from/(used in) financing activities	11	590	587	437
Net increase/(decrease) in cash and cash equivalents	(150)	(109)	7	8
Cash and cash equivalents at the beginning of the financial year	356	206	206	213
Cash and cash equivalents at the end of the financial year	206	97	213	221

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

Table 3.5.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2016	1 162	1 694	1 312	..	4 167
Comprehensive result	33	..	51	..	84
Transfer from revaluation surplus to accumulated surplus	..	..	..	..	..
Transactions with owners in their capacity as owners	..	226	..	..	226
Closing balance 30 June 2017 (actual)	1 195	1 919	1 363	..	4 477
Comprehensive result	4	..	..	..	4
Transactions with owners in their capacity as owners	..	626	..	..	626
Closing balance 30 June 2018 (budget)	1 199	2 545	1 363	..	5 106
Comprehensive result	(20)	..	..	..	(20)
Transactions with owners in their capacity as owners	..	623	..	..	623
Closing balance 30 June 2018 (revised)	1 175	2 542	1 363	..	5 080
Comprehensive result	2	..	..	..	2
Transactions with owners in their capacity as owners	..	479	..	..	479
Closing balance 30 June 2019 (budget)	1 177	3 021	1 363	..	5 561

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

Table 3.5.5: Administered items statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Administered income				
Appropriations – payments made on behalf of the State	28	36	36	36
Special appropriations	5	11	11	11
Sale of goods and services	507	471	468	462
Grants	6	4	4	4
Interest	13	13	13	13
Other income	2 500	2 673	2 523	2 611
Total administered income	3 059	3 209	3 055	3 137
Administered expenses				
Expenses on behalf of the State	15	13	13	13
Grants and other transfers	4	5	5	6
Payments into the Consolidated Fund	2 471	2 668	2 554	2 718
Total administered expenses	2 491	2 687	2 573	2 737
Income less expenses	569	522	482	400
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(1)	1	1	1
Net gain/(loss) on financial instruments and statutory receivables/payables	(355)	(315)	(275)	(291)
Total other economic flows included in net result	(356)	(314)	(274)	(290)
Net result	213	208	208	110
Other economic flows – other comprehensive income				
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	..	..	..	..
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	213	208	208	110
Administered assets				
Cash and deposits	66	66	66	65
Receivables	1 690	1 748	1 748	1 816
Other financial assets	..	2	2	4
Total administered assets	1 756	1 815	1 815	1 885
Administered liabilities				
Payables	1 245	1 097	1 097	1 057
Provisions	1	1	1	1
Total administered liabilities	1 246	1 098	1 098	1 058
Net assets	510	718	718	827

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

Table 3.5.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2017-18 budget</i>	<i>2017-18 revised</i>	<i>2018-19 budget</i>
Tattersalls duty payments to other jurisdictions	36	36	36
Total	36	36	36

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

DEPARTMENT OF PREMIER AND CABINET

Operating performance

The Department of Premier and Cabinet is expected to report an operating deficit of \$6 million in 2018-19.

Total income from transactions of \$746 million is forecast for 2018-19, reflecting an increase of \$164 million, compared to the 2017-18 revised budget. This increase is primarily related to funding allocated to the Victorian Electoral Commission (provided through special appropriations) for the future State election, as well as the following major new output initiatives announced in the *2018-19 Budget*:

- *Pick My Project*;
- Multicultural community infrastructure program; and
- Premier's Jobs and Investment Fund.

Operating expenses will increase correspondingly in 2018-19 mainly due to the initiatives outlined above. There are also some minor variances between the timing of income and expenses due to the specific timing of individual activities and transactions. This mismatch will result in a minor operating deficit in 2018-19.

Balance sheet

There are no significant movements in assets and liabilities in the 2018-19 budget compared to the 2017-18 revised budget.

Investing and finance

The Department's payments for non-financial assets are estimated to be \$25 million in 2018-19, primarily due to the continuation of previous projects such as the Public Record Office Victoria asset maintenance program and security upgrades for government buildings.

Administered items statement

Total income from transactions administered by the Department in 2018-19 relates mainly to eligible payments to be made by the Victorian Electoral Commission to candidates following the results of the Victorian elections. These amounts are reported as income and corresponding expenditure in the administered items statement and are separate to the special appropriation funding discussed above relating to the operations of the Victorian Electoral Commission.

Table 3.6.1: Comprehensive operating statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	426	593	497	635
Special appropriations	53	44	44	95
Sale of goods and services	4	6	6	5
Grants	38	17	34	10
Other income	2	1	1	1
Total income from transactions	524	661	582	746
Expenses from transactions				
Employee benefits	242	245	229	266
Depreciation	13	17	17	21
Grants and other transfers	72	87	137	212
Capital asset charge	9	9	9	10
Other operating expenses	166	309	192	244
Total expenses from transactions	502	667	584	753
Net result from transactions (net operating balance)	22	(6)	(2)	(6)
Other economic flows included in net result				
Other gains/(losses) from economic flows	1	..	..	..
Total other economic flows included in net result	1	..	..	..
Net result	23	(6)	(2)	(6)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	140	..	..	..
Other	(2)	..	..	..
Total other economic flows – other comprehensive income	138	..	..	..
Comprehensive result	161	(6)	(2)	(6)

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

Table 3.6.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2017 actual</i>	<i>2018 budget</i>	<i>2018 revised</i>	<i>2019 budget</i>
Assets				
Financial assets				
Cash and deposits	83	78	82	77
Receivables from government	118	128	128	137
Other receivables	10	10	10	10
Total financial assets	211	215	219	224
Non-financial assets				
Inventories	2	2	2	2
Property, plant and equipment	627	629	631	637
Intangible assets	16	16	28	27
Other	3	3	3	3
Total non-financial assets	648	650	665	669
Total assets	860	865	884	893
Liabilities				
Payables	37	37	37	37
Borrowings	4	4	4	4
Provisions	47	46	46	45
Total liabilities	88	87	87	86
Net assets	772	778	798	807
Equity				
Accumulated surplus/(deficit)	118	112	116	110
Reserves	362	362	362	362
Contributed capital	292	305	319	335
Total equity	772	778	798	807

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

Table 3.6.3: Statement of cash flows

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	461	627	532	720
Receipts from other entities	48	19	36	11
Other receipts	8	5	5	5
Total receipts	517	652	573	737
Payments				
Payments of grants and other transfers	(72)	(87)	(137)	(212)
Payments to suppliers and employees	(390)	(555)	(422)	(511)
Capital asset charge	(9)	(9)	(9)	(10)
Total payments	(471)	(651)	(568)	(733)
Net cash flows from/(used in) operating activities	46	1	5	4
Cash flows from investing activities				
Net investment	1	..	..	..
Payments for non-financial assets	(18)	(18)	(33)	(25)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flow from/(used in) investing activities	(16)	(18)	(33)	(25)
Cash flows from financing activities				
Owner contributions by State Government	..	13	28	16
Net borrowings	..	..	..	..
Net cash flows from/(used in) financing activities	..	12	27	16
Net increase/(decrease) in cash and cash equivalents	30	(5)	(1)	(5)
Cash and cash equivalents at the beginning of the financial year	53	83	83	82
Cash and cash equivalents at the end of the financial year	83	78	82	77

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

Table 3.6.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2016	97	290	222	..	609
Comprehensive result	21	..	140	..	161
Transactions with owners in their capacity as owners	..	2	..	..	2
Closing balance 30 June 2017 (actual)	118	292	362	..	772
Comprehensive result	(6)	..	..	..	(6)
Transactions with owners in their capacity as owners	..	13	..	..	13
Closing balance 30 June 2018 (budget)	112	305	362	..	778
Comprehensive result	(2)	..	..	..	(2)
Transactions with owners in their capacity as owners	..	28	..	..	28
Closing balance 30 June 2018 (revised)	116	319	362	..	798
Comprehensive result	(6)	..	..	..	(6)
Transactions with owners in their capacity as owners	..	16	..	..	16
Closing balance 30 June 2019 (budget)	110	335	362	..	807

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

Table 3.6.5: Administered items statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Administered income				
Special Appropriations	..	..	..	12
Sale of goods and services	27	1	1	1
Other income	1	..	..	..
Total administered income	28	1	1	12
Administered expenses				
Grants and other transfers	..	..	..	12
Payments into the Consolidated Fund	29	1	1	1
Total administered expenses	29	1	1	12
Net result	(2)	..	..	..
Comprehensive result	1	..	..	..
Administered assets				
Total administered assets	3	3	3	3
Administered liabilities				
Payables	2	2	2	2
Total administered liabilities	2	2	2	2
Net assets	1	1	1	1

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

DEPARTMENT OF TREASURY AND FINANCE

Operating performance

The Department of Treasury and Finance is expected to report an operating surplus of \$8 million in 2018-19. The Department's total income from transactions is expected to increase by \$55 million when compared to the 2017-18 revised budget, reflecting the funding of the following initiatives:

- Annual land valuations;
- Essential Services Commission enhanced regulatory activity; and
- Procurement reform.

Operating expenses in 2018-19 are forecast to increase by approximately the same amount as income.

Balance sheet

There are no significant movements in assets and liabilities in the 2018-19 budget compared to the 2017-18 revised budget.

Investing and finance

Cash flows from investing activities in 2018-19 primarily reflect existing asset projects, along with new investments in information technology for the above mentioned procurement reform initiative and the State Revenue Office compliance program.

Administered items statement

The Department manages a large number of transactions on behalf of the State over which it does not exercise direct control, including collecting State taxation income and administering the State's superannuation expenses.

Total grant revenue is expected to increase by \$2.6 billion between the 2017-18 revised budget and the 2018-19 budget. This reflects increased grants from the Commonwealth Government, including additional GST revenue and other specific purpose grants. The \$2.1 billion increase in other income, primarily relates to higher State tax revenue.

The increase in total administered expenses primarily reflects the payment of the above revenue into the Consolidated Fund.

Table 3.7.1: Comprehensive operating statement
(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	353	295	303	349
Interest	1	1	1	1
Sale of goods and services	180	173	182	188
Grants	3	..	1	3
Other income	25	31	31	32
Total income from transactions	563	502	519	574
Expenses from transactions				
Employee benefits	206	223	222	226
Depreciation	37	52	48	37
Grants and other transfers	11	6	7	43
Capital asset charge	22	22	22	63
Other operating expenses	274	195	221	197
Total expenses from transactions	550	498	521	565
Net result from transactions (net operating balance)	13	3	(2)	8
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	(7)	(7)	(20)
Other gains/(losses) from economic flows	2	..	..	..
Total other economic flows included in net result	2	(7)	(7)	(20)
Net result	15	(4)	(9)	(12)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	252	..	..	..
Total other economic flows – other comprehensive income	252	..	..	..
Comprehensive result	267	(4)	(10)	(12)

Source: Department of Treasury and Finance

Table 3.7.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2017 actual</i>	<i>2018 budget</i>	<i>2018 revised</i>	<i>2019 budget</i>
Assets				
Financial assets				
Cash and deposits	93	100	108	111
Other financial assets	35	35	15	15
Receivables from government	259	288	275	262
Other receivables	38	41	41	35
Total financial assets	425	464	439	423
Non-financial assets				
Inventories	9	9	9	9
Property, plant and equipment	835	812	825	800
Intangible assets	30	15	15	16
Other	20	19	19	21
Total non-financial assets	894	854	868	847
Total assets	1 319	1 318	1 307	1 270
Liabilities				
Payables	115	112	112	106
Borrowings	5	5	4	4
Provisions	124	130	124	105
Total liabilities	243	246	241	215
Net assets	1 076	1 072	1 066	1 055
Equity				
Accumulated surplus/(deficit)	149	145	139	127
Reserves	561	561	561	561
Contributed capital	366	366	366	367
Total equity	1 076	1 072	1 066	1 055

Source: Department of Treasury and Finance

Table 3.7.3: Statement of cash flows
(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	282	264	284	367
Receipts from other entities	20	..	3	2
Interest received	1	1	1	1
Other receipts	209	210	215	227
Total receipts	513	475	504	598
Payments				
Payments of grants and other transfers	(21)	(10)	(11)	(49)
Payments to suppliers and employees	(420)	(416)	(446)	(444)
Capital asset charge	(22)	(22)	(22)	(63)
Total payments	(463)	(448)	(479)	(556)
Net cash flows from/(used in) operating activities	49	26	25	42
Cash flows from investing activities				
Net investment	(2)	..	20	..
Payments for non-financial assets	(43)	(24)	(33)	(37)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flow from/(used in) investing activities	(44)	(24)	(13)	(36)
Cash flows from financing activities				
Owner contributions by State Government	..	3	2	4
Net borrowings	..	2	2	(6)
Net cash flows from/(used in) financing activities	..	5	4	(3)
Net increase/(decrease) in cash and cash equivalents	6	7	15	3
Cash and cash equivalents at the beginning of the financial year	87	93	93	108
Cash and cash equivalents at the end of the financial year	93	100	108	111

Source: Department of Treasury and Finance

Table 3.7.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2016	134	366	309	..	809
Comprehensive result	15	..	252	..	267
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2017 (actual)	149	366	561	..	1 076
Comprehensive result	(4)	..	..	..	(4)
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2018 (budget)	145	366	561	..	1 072
Comprehensive result	(10)	..	..	..	(10)
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2018 (revised)	139	366	561	..	1 066
Comprehensive result	(12)	..	..	..	(12)
Transactions with owners in their capacity as owners	..	1	..	..	1
Closing balance 30 June 2019 (budget)	127	367	561	..	1 055

Source: Department of Treasury and Finance

Table 3.7.5: Administered items statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Administered income				
Appropriations – payments made on behalf of the State	4 537	7 401	4 712	6 302
Special appropriations	7 069	2 276	2 281	2 325
Sale of goods and services	29	34	34	34
Grants	20 430	22 790	23 163	25 724
Interest	137	210	213	184
Other income	24 000	24 168	24 655	26 724
Total administered income	56 202	56 880	55 057	61 294
Administered expenses				
Expenses on behalf of the State	254	454	205	454
Employee benefits	1 093	1 639	1 203	1 961
Grants and other transfers	3 611	4 329	4 064	4 620
Payments into the Consolidated Fund	49 917	46 869	47 449	51 333
Interest expense	1 287	1 247	1 179	1 306
Total administered expenses	56 163	54 538	54 100	59 673
Income less expenses	39	2 342	958	1 621
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	9	23	23	23
Other gains/(losses) from other economic flows	(27)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(629)	..	(488)	..
Total other economic flows included in net result	(647)	23	(465)	23
Net result	(608)	2 365	493	1 644
Other economic flows – other comprehensive income				
Remeasurement of superannuation defined benefit plans	4 367	915	733	1 014
Total other economic flows – other comprehensive income	4 367	915	733	1 014
Comprehensive result	3 759	3 280	1 226	2 659
Administered assets				
Cash and deposits	1 646	1 889	1 385	1 243
Receivables	8 541	9 740	7 130	8 489
Other financial assets	1 300	543	330	621
Other	11	66	11	11
Property, plant and equipment	..	558	31	310
Total administered assets	11 498	12 796	8 887	10 673
Administered liabilities				
Payables	8 428	5 351	5 863	4 070
Borrowings	19 060	23 895	21 515	26 697
Provisions	46	1	1	1
Other	24 901	23 986	24 235	23 195
Total administered liabilities	52 433	53 232	51 614	53 963
Net assets	(40 936)	(40 436)	(42 727)	(43 290)

Source: Department of Treasury and Finance

Table 3.7.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2017-18 budget</i>	<i>2017-18 revised</i>	<i>2018-19 budget</i>
Superannuation and pension payments	16	16	16
Interest	1 232	1 164	1 291
Current and capital grants	771	438	861
Operating supplies and consumables	463	213	424
Other	4 919	2 880	3 710
Total	7 401	4 712	6 302

Source: Department of Treasury and Finance

PARLIAMENT (INCLUDING VICTORIAN AUDITOR-GENERAL'S OFFICE)

Operating performance

Parliament and the Victorian Auditor-General's Office combined are estimated to have a balanced net result from transactions in 2018-19.

The combined operating statement shows an increase in total income of \$11 million from the 2017-18 revised budget to the 2018-19 budget. The variation in annual appropriation revenue is primarily due to an increase in funding to implement the Electorate Officer Enterprise Bargaining Agreement and an increase in the Members of Parliament Electorate Office and Communication budgets.

Operating expenses are expected to increase similarly by \$11 million in 2018-19 due to the factors outlined above.

Balance sheet

There are no significant movements in assets and liabilities in the 2018-19 budget compared to the 2017-18 revised budget.

Investing and finance

Cash flow from investing activities is decreasing from the 2017-18 revised budget to the 2018-19 budget due to the estimated completion of the Remediation – Office Accommodation in the Parliamentary Precinct project in 2017-18.

Table 3.8.1: Comprehensive operating statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	153	173	170	180
Special appropriations	38	49	49	49
Sale of goods and services	2	..	..	..
Total income from transactions	193	222	219	230
Expenses from transactions				
Employee benefits	116	135	132	136
Depreciation	16	15	15	16
Capital asset charge	3	7	7	7
Other operating expenses	56	66	65	70
Total expenses from transactions	192	222	219	230
Net result from transactions (net operating balance)	1	..	..	..
Other economic flows included in net result				
Total other economic flows included in net result	1	..	..	..
Net result	2	..	..	..
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	189	..	..	..
Total other economic flows – other comprehensive income	189	..	..	..
Comprehensive result	192	..	..	..

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

Table 3.8.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2017 actual</i>	<i>2018 budget</i>	<i>2018 revised</i>	<i>2019 budget</i>
Assets				
Financial assets				
Receivables from government	61	61	51	70
Other receivables	7	7	7	7
Total financial assets	68	68	57	77
Non-financial assets				
Property, plant and equipment	680	686	698	685
Other	2	2	2	2
Total non-financial assets	682	688	700	688
Total assets	750	756	757	765
Liabilities				
Payables	16	16	16	16
Borrowings	3	3	3	3
Provisions	23	23	23	23
Total liabilities	42	42	42	43
Net assets	708	714	715	722
Equity				
Accumulated surplus/(deficit)	51	51	51	51
Reserves	483	483	483	483
Contributed capital	173	179	181	188
Total equity	708	714	715	722

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

Table 3.8.3: Statement of cash flows

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	189	222	233	215
Receipts from other entities	2	..	..	..
Other receipts	(6)	..	..	..
Total receipts	185	222	233	215
Payments				
Payments to suppliers and employees	(158)	(201)	(197)	(206)
Capital asset charge	(3)	(7)	(7)	(7)
Total payments	(161)	(207)	(204)	(213)
Net cash flows from/(used in) operating activities	24	15	29	2
Cash flows from investing activities				
Payments for non-financial assets	(35)	(21)	(33)	(4)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flow from/(used in) investing activities	(34)	(21)	(33)	(4)
Cash flows from financing activities				
Owner contributions by State Government	..	6	7	7
Net borrowings	9	..	(4)	(5)
Net cash flows from/(used in) financing activities	9	6	3	2
Net increase/(decrease) in cash and cash equivalents	..	..	..	..
Cash and cash equivalents at the beginning of the financial year	..	..	..	..
Cash and cash equivalents at the end of the financial year	..	..	..	..

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

Table 3.8.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2016	49	173	294	..	516
Comprehensive result	2	..	189	..	192
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2017 (actual)	51	173	483	..	708
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	6	..	..	6
Closing balance 30 June 2018 (budget)	51	179	483	..	714
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	7	..	..	7
Closing balance 30 June 2018 (revised)	51	181	483	..	715
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	7	..	..	7
Closing balance 30 June 2019 (budget)	51	188	483	..	722

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

Table 3.8.5: Administered items statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Administered income				
Sale of goods and services	27	26	26	27
Total administered income	27	26	26	27
Administered expenses				
Payments into the Consolidated Fund	27	26	26	27
Total administered expenses	27	26	26	27
Income less expenses	..	..	..	..
Net result	..	..	..	..
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	..	..	..	..
Administered assets				
Receivables	6	6	6	6
Total administered assets	6	6	6	6
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	6	6	6	6

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

COURT SERVICES VICTORIA

Operating performance

Court Services Victoria (CSV) is expected to have a balanced net result from transactions for the 2018-19 budget.

Total income from transactions is expected to increase by \$59 million in 2018-19, compared to the 2017-18 revised budget.

The movement in income is primarily driven by an increase in output appropriations of \$50 million, resulting from:

- new initiatives approved in the *2018-19 Budget*, notably Additional court capacity; and
- additional funding associated with previous policy decisions.

Special appropriations income is expected to increase by \$11 million in 2018-19, compared to 2017-18. This increase is attributable to remuneration for new judicial officers included in the Additional court capacity initiative, and annual indexation of judicial remuneration.

Operating expenses are expected to increase by \$56 million in 2018-19, compared to the 2017-18 revised budget due to the factors outlined above.

Balance sheet

CSV's net assets position is estimated to increase by \$94 million in 2018-19, compared to the 2017-18 revised budget. This movement is primarily driven by the factors outlined in the investing and financing section below.

Investing and finance

CSV's payments for non-financial assets in 2018-19 reflect the continued implementation of asset investment initiatives commenced in previous years, such as the Specialist Family Violence Integrated Courts Response and the new case management system.

CSV's payments for non-financial assets also include new projects funded in the *2018-19 Budget*, including:

- Echuca Court safety and security; and
- Werribee and Bendigo Law Courts redevelopment.

Administered items statement

Transactions administered by CSV include revenue from special appropriations to award compensation to victims who suffer loss of earnings or are reasonably likely to suffer as a direct result of an act of violence. In addition, Courts collect revenue from court fees for civil case lodgements and hearings. The revenue is paid into the Consolidated Fund and appropriated to CSV under section 29 of the *Financial Management Act 1994*.

Table 3.9.1: Comprehensive operating statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	332	362	382	432
Special appropriations	126	154	155	166
Grants	27	17	20	18
Other income	7	..	..	..
Total income from transactions	491	532	557	616
Expenses from transactions				
Employee benefits	278	318	319	347
Depreciation	44	34	46	49
Interest expense	7	11	11	6
Grants and other transfers	6	2	3	3
Capital asset charge	40	39	39	45
Other operating expenses	118	128	142	166
Total expenses from transactions	494	532	560	616
Net result from transactions (net operating balance)	(2)	..	(3)	..
Other economic flows included in net result				
Other gains/(losses) from economic flows	4	..	..	..
Total other economic flows included in net result	4	..	..	..
Net result	2	..	(3)	..
Total other economic flows – other comprehensive income	4	..	..	..
Comprehensive result	6	..	(3)	..

Sources: Court Services Victoria, and Department of Treasury and Finance

Table 3.9.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2017 actual</i>	<i>2018 budget</i>	<i>2018 revised</i>	<i>2019 budget</i>
Assets				
Financial assets				
Cash and deposits	10	10	7	7
Receivables from government	76	99	99	125
Other receivables	4	4	4	4
Total financial assets	90	114	111	136
Non-financial assets				
Property, plant and equipment	975	1 016	983	1 037
Intangible assets	18	11	17	23
Other	2	2	2	2
Total non-financial assets	996	1 030	1 002	1 062
Total assets	1 086	1 143	1 112	1 197
Liabilities				
Payables	29	29	29	29
Borrowings	79	74	74	66
Provisions	77	77	77	77
Total liabilities	185	180	180	172
Net assets	901	963	932	1 026
Equity				
Accumulated surplus/(deficit)	2	2	(1)	(1)
Reserves	187	187	187	187
Contributed capital	712	774	746	840
Total equity	901	963	932	1 026

Sources: Court Services Victoria, and Department of Treasury and Finance

Table 3.9.3: Statement of cash flows

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	439	492	513	573
Receipts from other entities	31	17	20	18
Total receipts	470	509	534	590
Payments				
Payments of grants and other transfers	(6)	(2)	(3)	(3)
Payments to suppliers and employees	(385)	(446)	(461)	(513)
Capital asset charge	(40)	(39)	(39)	(45)
Interest and other costs of finance paid	(7)	(11)	(11)	(6)
Total payments	(438)	(498)	(514)	(567)
Net cash flows from/(used in) operating activities	31	11	20	23
Cash flows from investing activities				
Payments for non-financial assets	(41)	(67)	(52)	(109)
Proceeds from sale of non-financial assets	2	..	..	..
Net cash flow from/(used in) investing activities	(38)	(67)	(52)	(109)
Cash flows from financing activities				
Owner contributions by State Government	20	62	34	94
Repayment of finance leases	(12)	(5)	(5)	(9)
Net borrowings	1	..	..	..
Net cash flows from/(used in) financing activities	8	57	29	85
Net increase/(decrease) in cash and cash equivalents	1	..	(3)	..
Cash and cash equivalents at the beginning of the financial year	9	10	10	7
Cash and cash equivalents at the end of the financial year	10	10	7	7

Sources: Court Services Victoria, and Department of Treasury and Finance

Table 3.9.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2016	..	692	183	..	876
Comprehensive result	2	..	4	..	6
Transactions with owners in their capacity as owners	..	20	..	..	20
Closing balance 30 June 2017 (actual)	2	712	187	..	901
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	62	..	..	62
Closing balance 30 June 2018 (budget)	2	774	187	..	963
Comprehensive result	(3)	..	..	..	(3)
Transactions with owners in their capacity as owners	..	34	..	..	34
Closing balance 30 June 2018 (revised)	(1)	746	187	..	932
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	94	..	..	94
Closing balance 30 June 2019 (budget)	(1)	840	187	..	1 026

Sources: Court Services Victoria, and Department of Treasury and Finance

Table 3.9.5: Administered items statement

(\$ million)

	2016-17 <i>actual</i>	2017-18 <i>budget</i>	2017-18 <i>revised</i>	2018-19 <i>budget</i>
Administered income				
Special appropriations	43	41	41	42
Sale of goods and services	62	57	61	66
Other income	32	21	21	21
Total administered income	137	119	123	129
Administered expenses				
Expenses on behalf of the State	11	9	9	9
Grants and other transfers	33	32	32	33
Payments into the Consolidated Fund	91	78	82	87
Total administered expenses	135	119	123	129
Income less expenses	2	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(2)	..	..	..
Total other economic flows included in net result	(2)	..	..	..
Net result	..	..	..	..
Comprehensive result	..	..	..	..
Administered assets				
Cash and deposits	9	9	9	9
Receivables	5	5	5	5
Total administered assets	14	14	14	14
Administered liabilities				
Payables	9	9	9	9
Provisions	3	3	3	3
Total administered liabilities	13	13	13	13
Net assets	1	1	1	1

Sources: Court Services Victoria, and Department of Treasury and Finance

CHAPTER 4 – STATE REVENUE

This chapter outlines expected movements in the major categories of general government revenue between 2017-18 and 2021-22. The revenue forecasts are closely linked to developments in key macroeconomic variables outlined in Budget Paper No. 2, Chapter 2 *Economic Outlook*.

Total revenue is expected to reach \$69.5 billion in 2018-19, with growth averaging 4.0 per cent a year over the budget and forward estimates (Table 4.1). The outlook for revenue growth is supported by continued strong economic conditions in Victoria and across Australia.

The Victorian economy has grown at an above trend rate over the past three years. Victoria has attracted significant numbers of overseas and interstate migrants, which together with low interest rates and increased public investment, is supporting economic growth and creating jobs. The high rate of economic activity in recent years and strength in the property market have seen state tax revenue grow, offset by recent tax reductions and concessions. Taxation revenue is now expected to moderate as the rate of growth in real gross state product (GSP) and population return toward trend, and interest rates start to normalise.

Real GSP is forecast to grow by 2.75 per cent in 2018-19 and in each of the following three years, underpinned by population growth, a strong pipeline of public infrastructure investment and continued low interest rates. Nominal GSP growth is expected to be around 5 per cent in 2017-18, reflecting solid real growth and a modest pickup in price growth. Expectations of stronger price growth will support revenue growth over the forward estimates.

The economic expansion in Victoria has translated into increased demand for labour and record levels of employment, with 117 300 new jobs created in 2016-17. Favourable employment conditions have encouraged workers into the labour force and this has seen Victoria witness its highest labour force participation rate on record. There are signs labour market strength is beginning to translate into a recovery in wage growth in Victoria, although moderate inflation expectations, heightened competition in the retail sector and low productivity growth remain potential headwinds (See Budget Paper No. 2, Box 2.2: *Early signs of an increase in wages growth* for more detail). Over the budget and forward estimates, employment growth and the unemployment rate are expected to return toward historical trend. The positive outlook for the labour market and household income continue to underpin steady growth projections for payroll tax revenue growth.

The strength of the property cycle in the eastern states has supported strong revenue collections in property-related taxes in recent years. There is some evidence from auction clearance rates, residential building approvals and housing finance that the cycle in the housing market has started to moderate. An orderly moderation in the growth of property prices and volumes in Victoria is expected to translate into property related transaction revenues growing at a slower pace across the budget and forward estimates. An anticipated normalisation in interest rates in Australia from 2019 onwards contributes to this expectation.

Positive national economic conditions will drive growth in consumption expenditure and the GST pool. The Commonwealth Grants Commission's report, released on 5 April 2018, noted Victoria's assessed fiscal capacity has fallen compared with 2017-18, driven by strong population growth, a related need for greater investment in infrastructure and a continued smaller share of Commonwealth grants. As a result, Victoria's share of the GST pool increased from 24.0 per cent in 2017-18 to 25.6 per cent in 2018-19.

Table 4.1: General government sector revenue (\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Taxation revenue	22 446	24 081	25 245	26 074	27 483
Grants	30 342	33 458	33 107	34 002	34 778
Sales of goods and services	7 087	7 541	8 275	8 450	8 621
Dividends, income tax equivalent and rate equivalent revenue	737	922	511	564	552
Interest revenue	901	864	858	833	824
Other revenue	2 492	2 622	2 622	2 687	2 747
Total revenue from transactions	64 005	69 487	70 617	72 609	75 004

Source: Department of Treasury and Finance

TAXATION

Tax revenue is forecast to be \$24.1 billion in 2018-19, and is expected to grow by an average of 4.5 per cent a year over the forward estimates. This growth rate is below the annual average rate of 7.6 per cent in the five years to 2017-18, with the contribution from property related taxes, particularly land transfer duties, expected to decrease as the housing market cycle moderates and growth rates ease.

Taxation revenue from sources other than property is expected to increase at a steady pace as positive labour market conditions push up wages growth, translating into stronger income growth. This is consistent with a switch in the tax base observed through previous economic cycles.

Land transfer duty revenue is expected to grow by 3.8 per cent to \$7.1 billion in 2018-19, and is expected to increase by 3.2 per cent a year on average over the forward estimates, following estimated growth of 11 per cent in 2017-18.

Land tax revenue is forecast to increase to \$3.1 billion in 2018-19, largely as a result of the biennial land revaluation currently underway. This latest revaluation cycle covers the period from 1 January 2016 to 31 December 2017. From 1 July 2018, the Government will centralise land valuations with the Valuer-General of Victoria and introduce annual valuations. This will reduce the volatility in land tax revenues associated with biennial valuations.

Payroll tax revenue is expected to be \$6.2 billion in 2018-19 and to grow by an average of 5.3 per cent a year over the forward estimates, supported by sustained growth in employment and wages.

Gambling tax revenue is forecast to be \$1.9 billion in 2018-19 and to grow by an average of 1.6 per cent a year over the forward estimates. This rate of growth in gambling revenue is broadly similar to that of recent years.

Motor vehicle taxes are expected to generate \$2.7 billion in revenue in 2018-19 and grow by an average of 4.7 per cent a year over the forward estimates. Continued population growth in Victoria is anticipated to sustain steady growth in motor vehicle revenue over the forward estimates.

Insurance taxes are expected to generate \$1.4 billion in revenue in 2018-19, and grow by 6.4 per cent a year on average over the forward estimates.

Table 4.2: Taxation estimates

(\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>
Taxes on employers' payroll and labour force	5 951	6 193	6 532	6 831	7 239
Taxes on immovable property					
Land tax	2 514	3 093	3 386	3 506	3 871
Fire Services Property Levy ^(a)	682	642	698	719	738
Congestion levy	115	122	124	125	127
Metropolitan improvement levy	176	169	174	178	182
Total taxes on property	3 487	4 026	4 381	4 528	4 918
Gambling taxes					
Public lotteries	415	418	423	425	426
Electronic gaming machines	1 099	1 119	1 139	1 159	1 179
Casino	227	237	245	253	260
Racing	71	70	67	63	59
Other	29	32	36	39	43
Financial and capital transactions ^(b)					
Land Transfer Duty	6 808	7 067	7 212	7 463	7 773
Metropolitan planning levy	26	26	26	27	28
Financial accommodation levy	149	174	192	208	224
Growth areas infrastructure contribution	208	238	272	304	335
Levies on statutory corporations ^(c)	112	157	157	..	..
Taxes on insurance	1 265	1 367	1 463	1 553	1 648
Total taxes the provision of goods and services	10 408	10 904	11 230	11 495	11 976
Motor vehicle taxes					
Vehicle registration fees	1 411	1 676	1 786	1 866	1 956
Duty on vehicle registrations and transfers	916	975	1 010	1 046	1 083
Liquor licence fees	23	24	24	25	25
Other	249	283	281	284	286
Total taxes on the use of goods and performance of activities	2 600	2 957	3 101	3 220	3 350
Total taxation	22 446	24 081	25 245	26 074	27 483

Source: Department of Treasury and Finance

Notes:

- (a) The 2018-19 revenue estimate is \$20 million lower than the 2017-18 Budget Update due to the Government's decision to cap the levy collection for 2017-18 and 2018-19 at \$662 million, the amount collected in 2016-17. This will result in returning the 2017-18 over-collection through reduced rates for the 2018-19 levy year. From 2019-20 the forecasts assume that revenue will be collected as per the provisions of the Fire Services Property Levy Act 2012. Levy rates for 2019-20 will be determined by the Treasurer in May 2019.
- (b) Financial and capital transactions have been reclassified from 'taxes on property' to 'taxes on the provision of goods and services' as per the classification required under the new 2015 ABS GFS manual. This has been implemented for the first time in the 2018-19 Budget.
- (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.

Land transfer duty

Land transfer duty is payable on most transactions that result in a change of ownership of land and associated real assets. Various exemptions and concessions are available, such as for certain concession card holders and eligible first home buyers. This includes the first home buyer stamp duty exemption/concession scheme, implemented on 1 July 2017, as part of *Homes for Victorians* (Box 4.1).

Box 4.1: Progress on *Homes for Victorians* tax and grant initiatives

In March 2017, the Government announced a suite of initiatives aimed at improving housing affordability in Victoria, including for Victorian owner occupiers and renters.

Among these initiatives were a series of tax and grant changes, targeted at rebalancing the housing market towards owner occupiers, particularly first home buyers seeking to break into the housing market.

Commencing on 1 July 2017, first home buyers purchasing a property valued under \$600 000 are exempt from stamp duty, while those purchasing homes between \$600 000 and \$750 000 receive a concession.

In the period between 1 July 2017 and 31 March 2018, around 15 600 first home buyers purchased and settled on a home valued under \$600 000. This compares to around 11 500 first home buyers over the same period in the previous year, or a 36 per cent increase in first home buyer activity in this price range.

Including the homes valued between \$600 000 and \$750 000, more than 19 200 first home buyers have benefited from the first home buyer stamp duty exemption/concession scheme, saving an average of \$11 000 in duty per transaction. Encouragingly, the benefits are being spread across Victoria, with first home buyers taking advantage of the stamp duty savings to purchase in Melbourne as well as across regional Victoria.

Across Melbourne, there has been a particularly strong uplift in purchases valued under \$600 000 in Wyndham, Cardinia and Hume, with each of these local government areas experiencing an additional 230 first home buyer transactions in the period between 1 July 2017 and 31 March 2018 compared to the same period a year earlier. In regional Victoria, areas such as Greater Bendigo, Ballarat, Latrobe, Greater Shepparton and Greater Geelong also saw significant increases in first home buyer activity, with each of these areas experiencing at least an additional 170 first home buyer purchases.

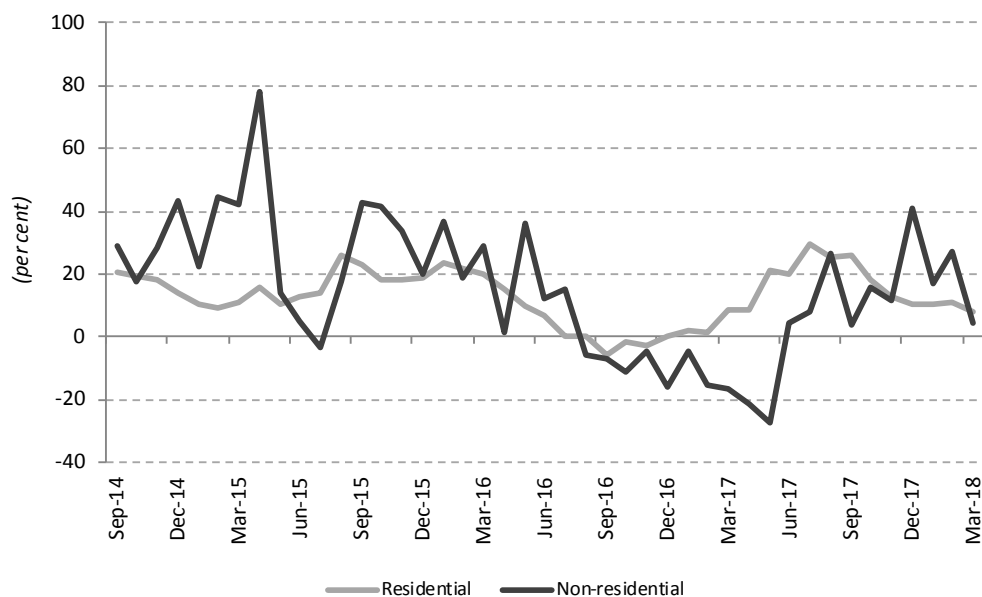
Similar success is seen in the First Home Owner Grant (FHOG) changes announced in *Homes for Victorians*, which increased the FHOG amount from \$10 000 to \$20 000 for new homes purchased in regional Victoria. Since the increased FHOG took effect from 1 July 2017, around 1 500 first home buyers in regional Victoria have benefited from the change, up to 31 March 2018. This compares to around 650 first home buyers in regional Victoria taking up the former \$10 000 FHOG over the same period in the previous year. Areas of increased activity have included Ballarat, Greater Bendigo, Greater Geelong and Wodonga.

For property settlements from 1 July 2018, Australian Defence Force personnel will no longer be required to reside in their home for 12 months to benefit from the exemption/concession, in recognition of the operational requirements of their job. This is consistent with recent changes to the FHOG residence requirement.

Additionally, for settlements from 1 July 2018, the young farmer stamp duty exemption threshold will be increased from \$300 000 to \$600 000. This means young farmers aged under 35, buying their first farmland, will receive a full stamp duty exemption on farm purchases valued up to \$600 000, with a concession applying to purchases valued between \$600 000 and \$750 000.

Land transfer duty revenue is expected to generate \$7.1 billion in 2018-19 (Table 4.2), which is an increase of 3.8 per cent from 2017-18. Increasing activity in the commercial sector is supporting land transfer duty in 2017-18 (Figure 4.1), with growth in duty from non-residential sources (commercial, industrial and primary production) accelerating between July and December 2017.

Figure 4.1: Land transfer duty growth by property type



Source: State Revenue Office, Department of Treasury and Finance.

The share of land transfer duty from non-residential transactions has increased from 14.3 per cent in July 2017 to 24.3 per cent in December 2017. Low vacancy rates for office space in Melbourne, strong growth in rental income and building approvals suggest commercial duties may remain high in the near term.

Residential property duties are expected to continue to increase, but at a more gradual pace (Box 4.2). After a significant upswing in the property market in recent years, there is some evidence the cycle has started to moderate. A broad set of indicators, including auction clearance rates, housing finance data and the recent moderation in property price growth rates suggest that price and volume growth in the property markets on the east coast are likely to slow in 2018.

Box 4.2: Housing price growth in Victoria

Hedonic property price indices use data on property sales to quality adjust price growth by taking into account the individual characteristics of the properties sold, such as the number of bedrooms or lot size. The Department of Treasury and Finance (DTF) has constructed hedonic price indices for the inner, metropolitan (metro) and outer regions of Melbourne, as defined by the local government areas in Figure 4.2.

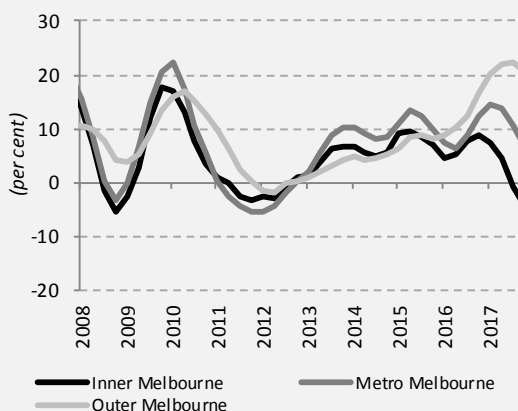
Figure 4.3 shows the pace of growth in property prices, particularly in the inner and metro regions of Melbourne, has slowed. Property prices are still growing at a strong but steady pace in the outer suburbs of Melbourne.

Figure 4.2: Melbourne local government areas



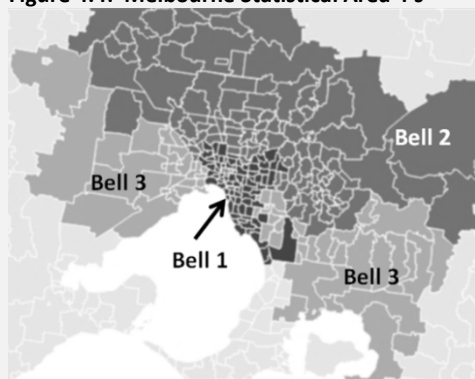
Source: Department of Treasury and Finance, CoreLogic

Figure 4.3: House price growth by region



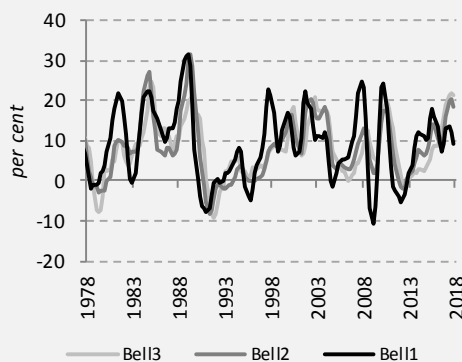
Estimating hedonic price indices for the Statistical Area 4 (SA4) levels in Greater Melbourne allows the identification of clusters of regions that have historically led the housing price cycle. The most significant cluster of SA4s identified as leading property price cycles in Melbourne is referred to as Bell 1, followed in significance by Bell 2, and then Bell 3, which has minimal to no leading ability (Figure 4.4). The analysis (Figure 4.5) indicates that, in the regions that lead the cycle, price growth appears to have peaked but is still holding up relatively well.

Figure 4.4: Melbourne Statistical Area 4's



Source: Department of Treasury and Finance, CoreLogic

Figure 4.5: House price growth by region



Historically, property markets are volatile and can exhibit large cycles often accompanied by swings in sentiment, typically related to changes in official interest rates. Forecasts for the *2018-19 Budget* anticipate a stable economic backdrop that will support an orderly moderation in the housing market in Victoria.

Growth in land transfer duty revenue is forecast to remain below trend over the forward estimates. A key influence on the forecasts is the anticipated normalisation in interest rates. Market expectations of interest rates imply a quarter of a per cent increase in interest rates in early 2019, to 1.75 per cent. Over the forward estimates, interest rates are expected to gradually rise, dampening the strength of any recovery in housing transaction volumes or prices. Nonetheless, the forecasts incorporate only a moderate decline in transaction price growth (Figure 4.6), with demand underpinned by strong population fundamentals and household formation rates even as borrowing costs rise.

Transaction volumes are expected to contract as the housing market cools, before returning to moderate growth in the final years of the forecast period (Figure 4.7). Historically, transaction volumes have been more sensitive to changes in economic conditions including housing sentiment and interest rates, and this is reflected in the land transfer duty forecast. Transaction volumes have grown by an average of 6.3 per cent a year in the four years to 2016-17, and represented a significant component of growth in land transfer duty over that period.

Figure 4.6: Mean transaction prices (through-the-year growth)

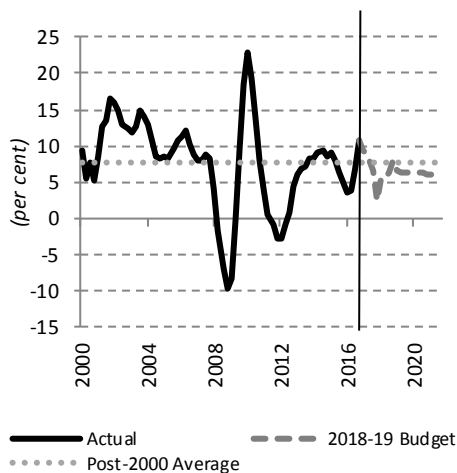
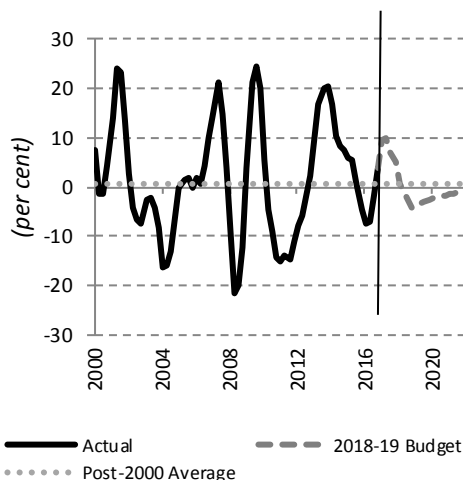


Figure 4.7: Transaction volumes (through-the-year growth)



Source: Valuer-General of Victoria, Department of Treasury and Finance

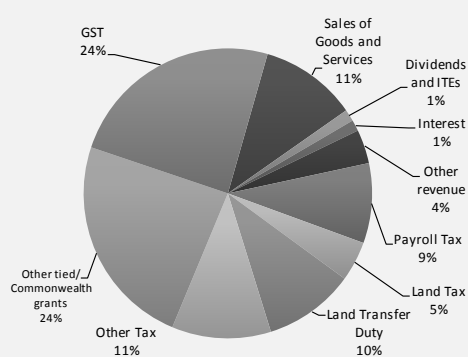
While these forecasts already incorporate sub-trend growth in land transfer duties, a sharper than anticipated correction in the residential property market presents downside risks to the revenue profile presented here. As discussed in Box 4.3, the diverse nature of Victoria's revenue base means the State is well positioned to weather property-related volatility.

Box 4.3: Diversity of the State revenue base

Victoria’s revenue base is diverse with 10 major revenue items. The three largest taxes, land transfer duty (LTD), payroll tax and land tax, together make up only a quarter of total revenue (Figure 4.8). The largest grants item, GST, makes up a similar proportion.

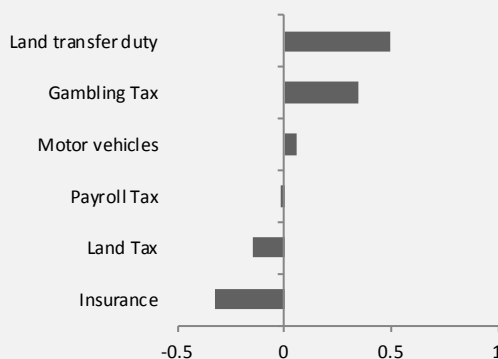
In the absence of a major change in the outlook for the Victorian economy, this diversity will help buffer Victorian revenue against sector-specific shocks. This includes a local downturn in the property market that does not relate to wider changes in the national market, or changes in labour market conditions relating to a specific sector. Since GST revenue is based on national conditions, this should also provide some ballast to revenue in the event of a major regional economic shock.

Figure 4.8: State revenue, 2018-19



Source: Department of Treasury and Finance

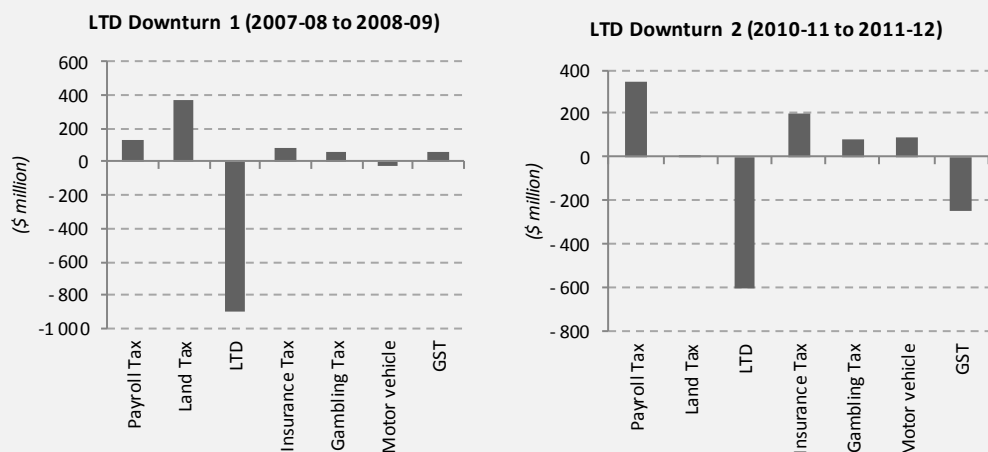
Figure 4.9: Correlation between individual taxation lines and total taxation revenue, 1997-98 to 2016-17



Historically, changes in the property market have been important for driving changes in total taxation revenue. Land transfer duty revenue growth has the highest correlation with growth in total taxation revenue, although with an annual correlation of 0.49 it is still moderate, and is much less than one (Figure 4.9). Other sizeable revenue lines, including payroll tax and land tax revenue, are much less correlated with the property cycle. Indeed, payroll tax and land tax growth have a negative correlation with total taxation revenue growth suggesting these revenue lines tend to increase when growth in LTD revenue falls.

This relationship has also been borne out in the past, where downturns in LTD revenue have been accompanied by growth in other sources of taxation (Figure 4.10). For example, during the global financial crisis, LTD revenue declined by about \$900 million between 2007-08 and 2008-09, but this was partially offset by higher revenue from other taxes, which increased by about \$600 million. A similar pattern was observed during the European debt crisis where large falls in LTD revenue were moderated to an extent by growth in payroll tax and taxes on insurance, which despite being lower than forecast, continued to increase between 2010-11 and 2011-12.

Figure 4.10: Historical annual changes in revenue in previous LTD downturns



Source: Department of Treasury and Finance

Land tax

Land tax is an annual tax assessed on the unimproved value of land (site value). Categories of land, such as principal places of residence and primary production land, are exempt under the *Land Tax Act 2005*.

The value of unimproved land is based on an individual assessment of each site across Victoria. Factors that are considered in determining the value of land include recent land sales, development potential of the site, location and planning guidelines as they relate to new redevelopments or allowances for mixed use properties. Assessing each of these factors can be complex, especially valuations for mixed-use properties or where land sales data for metropolitan areas are insufficient.

Land tax revenue is forecast to increase to \$3.1 billion in 2018-19, largely as a result of the biennial land revaluation currently underway. This latest revaluation cycle covers the period from 1 January 2016 to 31 December 2017. The most recent valuation data from the Valuer-General of Victoria (VGV) suggests the strength in the property market over this period will translate into significant increases in the value of residential, commercial and industrial land.

From 1 July 2018, the Government will centralise land valuations with the VGV and introduce annual valuations. This will reduce the volatility in land tax revenues associated with biennial valuations. Land tax revenue growth is expected to be modest in 2019-20 reflecting the lagged effect of the current moderation in the property market. Further easing of land value growth is expected in 2020-21, as the anticipated normalisation in interest rates weighs on property price growth in 2019 and translates into lower land value growth in the 2020 revaluation. However, as land values are determined by additional factors beyond the residential property market alone, growth in land values is expected to recover to the average historical revaluation outcome in 2021-22.

Growth areas infrastructure contribution

The growth areas infrastructure contribution (GAIC) applies to certain types of land in Melbourne's growth areas: Cardinia, Casey, Hume, Melton, Mitchell, Whittlesea and Wyndham. Revenue from GAIC is tied to community infrastructure development in these areas.

GAIC revenue is expected to be \$238 million in 2018-19 and grow by an annual average rate of 12.1 percent over the forward estimates.

Development in the urban growth areas has gathered pace in recent years in line with strong population growth, demand for new housing and new purchase incentives for first home buyers. There have been some early signs of an easing in price growth in the urban growth areas, but underlying demand for new housing is expected to remain strong, supporting future development activity.

The amount of GAIC revenue available to be invested in projects is determined by the actual cash received each year due to deferred payment mechanisms and work in kind arrangements. The *2018-19 Budget* allocates \$205 million of GAIC receipts over the budget and forward estimates to fund infrastructure across several growth areas including land acquisition and construction of new schools in Hume, Melton, Casey and Wyndham, and public transport initiatives and assets in growth areas.

Metropolitan Planning Levy

The Metropolitan Planning Levy applies to planning permits for land to be developed in metropolitan Melbourne, where the estimated cost of the development is over the threshold. In 2017-18, the threshold was \$1 029 000. Revenue from the levy helps fund the work of the Victorian Planning Authority and its Plan Melbourne initiative, a long-term strategy to accommodate Melbourne's growth. Revenue from the Metropolitan Planning Levy is expected to be \$26 million in 2018-19 and grow by an average of 2.6 per cent a year over the forward estimates.

Congestion levy

The Congestion levy applies to off-street parking spaces in central Melbourne, aimed at reducing traffic congestion and encouraging alternate forms of transport. For 2018, the levy rate is \$1 410 for parking spaces in the Category 1 geographic area, and \$1 000 for spaces in the Category 2 area. Revenue from the Congestion Levy is expected to be \$122 million in 2018-19 and grow by an average of 1.5 per cent a year over the forward estimates.

Fire Services Property Levy

The Fire Services Property Levy is an annually recurring charge on property owners. Revenue from the levy goes to supporting the State's fire services, including vital life-saving equipment, firefighters, staff and volunteers, training, infrastructure and community education.

Fire Services Property Levy rates are reset each year to specifically target an amount of revenue to be raised. Revenue from the Fire Services Property Levy is expected to be \$642 million in 2018-19.

Payroll tax

From 1 July 2018, the payroll tax free threshold will be increased from \$625 000 to \$650 000 for all businesses in Victoria. The payroll tax rate for businesses based in regional Victoria, and with payrolls that comprise at least 85 per cent of Victorian wages associated with regional employees will be reduced from 3.65 per cent to 2.425 per cent – half the metropolitan rate. Around 4 000 regional businesses are in a position to benefit from the cut in the payroll tax rate, saving an average of around \$10 000 in payroll tax a year. Regional Victorian businesses will now have the lowest payroll tax rate in Australia.

Payroll tax revenue is expected to be \$6.2 billion in 2018-19 and grow by an average of 5.3 per cent over the forward estimates.

Solid demand for labour through 2016 and 2017 has resulted in a marked increase in full time employment and has encouraged participation in Victoria's labour market. At 65.9 per cent, the participation rate in Victoria is among the highest of all states.

Labour market conditions are expected to remain strong going forward, underpinning solid growth in payroll tax revenue. Continued above trend employment growth is expected to absorb spare labour resources in the economy, leading to rising wages. Wage growth has accelerated from a low of 1.9 per cent in the year to December 2016 to 2.4 per cent in the year to December 2017.

Gambling taxes

Gambling taxes are levied on public lotteries, electronic gaming machines (EGMs), the casino, racing and other forms of gambling. These taxes are typically in the form of a percentage of net expenditure, with the tax rate varying according to the category of gambling. Net expenditure is equal to the amount gambled less prizes or refunds to players. Gambling taxes include revenue associated with the relevant licence premiums.

Gambling tax revenue is forecast to be \$1.9 billion in 2018-19 and increase by an average of 1.6 per cent a year over the forward estimates. Gambling revenue has steadily declined as a share of total household final consumption expenditure in recent years. For example, in the 10 years to 2016-17, gambling revenue as a share of household final consumption expenditure dropped from just under 1.0 per cent to 0.7 per cent; representing a 27 per cent decrease.

This decline could reflect several factors, including the success of measures designed to minimise gambling-related harms such as the capped number of EGMs, as well as changing consumer preferences such as the growing popularity of largely untaxed online fixed-odds gambling and the decline in popularity of the *Tote* (or pari-mutuel wagering).

In 2018-19, approximately 75 per cent of total gambling taxation revenue will be transferred to the Hospitals and Charities Fund, the Mental Health Fund and the Community Support Fund. These funds direct gambling revenues back into the community by providing funding for programs in hospitals and community organisations, mental health services, programs to tackle problem gambling, including funding for the Victorian Responsible Gambling Foundation, as well as drug education, treatment and rehabilitation.

Motor vehicle taxes

Motor vehicle taxes include vehicle registration fees and duty on transfer and registration of vehicles. Motor vehicle registration fees vary according to vehicle type and use, while duty is calculated on the market value or the purchase price of the vehicle (whichever is greater).

Motor vehicle taxes are expected to generate \$2.7 billion in revenue in 2018-19 and grow by an average of 4.7 per cent a year over the forward estimates. Growth in 2018-19 is driven by higher registration fees revenue, with a more modest increase in stamp duty revenue. Continued population growth in Victoria will sustain steady growth in motor vehicle revenue over the forward estimates.

Continuing policy development around heavy vehicle charges is a source of risk for motor vehicle revenue forecasts. The Transport and Infrastructure Committee (comprising state, territory and Commonwealth transport, infrastructure and planning ministers) has frozen heavy motor vehicle charges at 2017-18 levels for two years. Charging levels beyond 2019-20 are yet to be agreed.

Insurance taxes

Duty is payable on general insurance premiums, excluding life insurance, at a rate of 10 per cent. Examples include insurance against damage to, or loss of, motor vehicles and household contents.

Insurance taxes are expected to generate \$1.4 billion in revenue in 2018-19, up 8.1 per cent from 2017-18. Revenue from insurance taxes is anticipated to grow by 6.4 per cent a year on average over the forward estimates.

GRANT REVENUE

Total grant revenue is expected to be \$33.5 billion in 2018-19, an increase of 10.3 per cent from 2017-18. Total grant revenue growth over the next four years is largely driven by GST revenue.

Table 4.3: Grant revenue (\$ million)

	2017-18	2018-19	2019-20	2020-21	2021-22
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
General purpose grants – goods and services tax	15 407	16 881	17 470	18 112	18 420
Specific purpose grants for on-passing	3 510	3 997	4 214	4 460	4 632
Other grants for specific purposes	10 835	11 847	10 600	10 810	11 049
Total	29 752	32 725	32 285	33 382	34 100
Other contributions and grants	590	733	822	620	678
Total grant revenue	30 342	33 458	33 107	34 002	34 778

Source: Department of Treasury and Finance

GST

GST revenue is forecast to grow by 9.6 per cent to \$16.9 billion in 2018-19 and grow by an average of 3.0 per cent a year over the following three years.

Victoria's GST revenue is broadly determined by three key factors:

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

National GST pool

The national GST pool is expected to be \$65.9 billion in 2018-19, growing by 5.1 per cent from 2017-18. Growth in household consumption is expected to be supported by stronger wage growth and a recovery in economic conditions in Western Australia and Queensland over the forward estimates. The pace of growth in GST-liable consumption is below that of total consumption growth as GST-exempt categories are growing faster than GST-liable categories.

National dwelling investment, which is also subject to GST, has declined in recent quarters and is expected to contract in 2018-19 in line with slowing approvals and commencements data. However, the solid pipeline of residential projects that have commenced but are not yet completed, particularly in Victoria and Queensland, is expected to support activity in the coming year.

Population

Victoria's population is forecast to grow by 2.2 per cent in 2018-19, well above the national rate of growth and trend growth of 1.75 per cent a year. Victoria has benefited from high levels of overseas and interstate migration. With estimated national population growth of 1.5 per cent in 2018-19, Victoria's share of the national population is rising. In addition, Victoria's population was significantly revised as a result of the 2016 Census, with an additional 111 000 people added to Victoria's population by the Australian Bureau of Statistics.

GST relativities

Victoria's assessed GST relativity for 2018-19 has increased. In large part, this reflects continued strong population growth relative to other states, which has increased the need for significant additional investment in infrastructure and service delivery. In addition, strong growth in property markets and taxable payrolls for New South Wales, and higher royalty revenue in Queensland and Western Australia, have also benefited Victoria's GST share as the strong own source revenue in other states has reduced their funding requirement. However, even after allowing for the Commission's increase in GST relativities for Victoria, total revenue per head of population in Victoria is the second lowest among the states.

Beyond 2018-19, interstate royalty revenues are expected to decline in line with the subdued outlook for iron ore and coal prices. This is expected to increase Victoria's fiscal capacity relative to other states, decreasing Victoria's share of the GST.

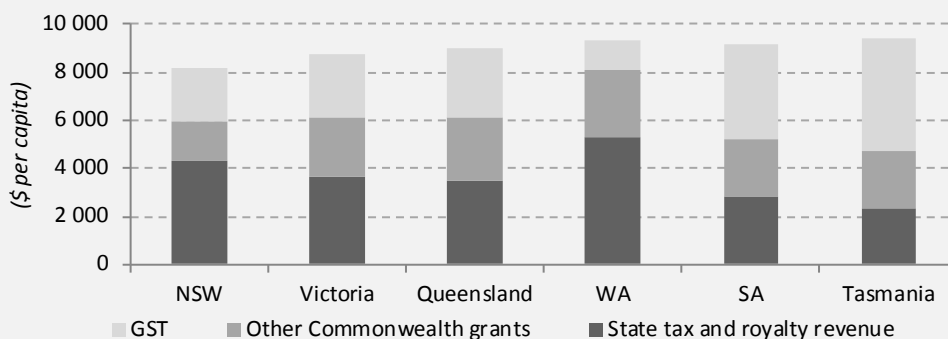
Box 4.4: Victoria's share of the national GST pool

The Commonwealth Grants Commission is the body charged with recommending the distribution of GST revenue among the states. The Commission recommends a distribution of GST funds that, after allowing for material factors affecting revenues and expenditures, would give each state the fiscal capacity to provide the same standard of services and the associated infrastructure, if each made the same effort to raise revenue and operated at the same level of efficiency.

The Commission's 2018-19 report noted Victoria's assessed fiscal capacity had fallen compared with 2017-18, but remains the third highest of the states. Victoria's expenditure requirement was assessed as higher, driven by strong population growth. The improvement in Victoria's relativity was also due to the smaller share of payments received from the Commonwealth, particularly with respect to road and rail infrastructure.

Figure 4.11 shows own-source taxation and royalty revenue plus Commonwealth grants across each of the states in 2018-19. Even after allowing for the Commission's increase in GST relativities for Victoria, total revenue per head of population in Victoria is the second lowest among the states.

Figure 4.11: Own-source taxation and royalty revenue and Commonwealth grants by state, 2018-19.



Source: State 2017-18 budget updates, Commonwealth MYEFO and Commonwealth Grants Commission

In assessing Victoria's population growth, the Commission took into account a major upward revision to Victoria's population by the Australian Bureau of Statistics following the 2016 Census. The Commission noted Victoria's population was revised upward by 111 000. The Commission estimated that this change alone redistributed \$595 million, increasing Victoria's GST share.

Victoria is currently adding almost 150 000 persons per year. This is equivalent to adding the Australian Capital Territory's population every three years.

Victoria's growing population means an increasing demand for schools with an estimated 90 000 students entering Victorian schools over the next five years. The Government has made a record investment in schools of \$6.0 billion, building 21 new schools, with a further 43 in progress.

Grants for on-passing

Table 4.4 summarises estimates of grants from the Commonwealth that are passed on to other entities.

Table 4.4: Grants for on-passing (\$ million)

	2017-18 revised	2018-19 budget	Change %
Commonwealth Government grants to local government ^(a)			
<i>Financial assistance grants to local government</i>			
An equal per capita basis is used for distributing total assistance to the states and territories pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .	218	437	100.0
<i>Identified local roads grants to local government</i>			
Funding to local councils is provided on a per capita and road length basis pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .	75	157	108.8
Quality Schools Funding			
Support for school services			
<i>Non-government schools</i>	3 216	3 404	5.8
Total grants for on-passing	3 510	3 997	13.9

Source: Department of Treasury and Finance

Note:

(a) The lower grants in 2017-18 largely reflect a bringing forward of the first two quarters of 2017-18 Commonwealth's grants for local councils into 2016-17.

Grants for specific purposes

Table 4.5 lists Commonwealth grants for specific purposes, with detailed tables by expenditure category in Tables 4.6 to 4.12.

Table 4.5: Grants for specific purposes ^(a) (\$ million)

	2017-18 revised	2018-19 budget	Change %
Affordable housing	366	349	(4.7)
Community services	779	1 515	94.4
Education	2 133	2 326	9.0
Environment	235	173	(26.2)
Health	5 180	5 354	3.4
Infrastructure	500	229	(54.1)
Contingent/Other	1 642	1 900	15.8
Total grants for specific purposes	10 835	11 847	9.3

Source: Department of Treasury and Finance

Note:

(a) There may be a difference in categorisation between Commonwealth and Victorian figures for payments yet to be finalised.

Table 4.6: Payments for affordable housing (\$ million)

	2017-18 revised	2018-19 budget	Change %
National Affordable Housing Agreement ^(a)			
Funding for affordable, safe and sustainable housing that contributes to economic and social participation in the community.	343	..	(100.0)
National Partnerships			
<i>Homelessness ^(a)</i>			
Provision of services to assist people who are homeless or at risk of homelessness to achieve sustainable housing and social inclusion.	23	..	(100.0)
National Housing and Homelessness Agreement ^(b)			
Funding will contribute to improving access to affordable, safe and sustainable housing, including to address homelessness, and to support social and economic participation. It replaces the expiring funding under the National Affordable Housing Agreement and National Partnership Agreement on Homelessness.	..	349	
Total affordable housing	366	349	(4.7)

Source: Department of Treasury and Finance

Notes:

(a) Funding under these agreements is ceasing at the end of 2017-18 and are being rolled into the National Housing and Homelessness Agreement, which is yet to be signed.

(b) Funding amount is indicative only and final allocation is subject to formal negotiations between the Commonwealth and the states.

Table 4.7: Payments for community services (\$ million)

	2017-18 <i>revised</i>	2018-19 <i>budget</i>	Change %
National Disability Agreement			
Funding to ensure that people with disabilities and their carers have an enhanced quality of life and participate as valued members of the community.	398	415	4.3
Specialist Disability Services for over 65s			
Funding for specialist disability services for people aged 65 years and over (for Indigenous people 50 years and over).	74	77	3.5
National Partnerships			
<i>Assistance to States for DisabilityCare Australia</i> ^(a)			
Funding to assist the transition to the National Disability Insurance Scheme	176	926	425.9
<i>Pay equity for the social and community services sector</i> ^(b)			
Funding for the Commonwealth's share of wage increases arising from Fair Work Australia's decision to grant an Equal Remuneration Order in the Social and Community Services sector.	93	60	
Other	39	39	(1.3)
Total community services	779	1 515	94.4

Source: Department of Treasury and Finance

Notes:

(a) 2018-19 figure includes payments related to previous year amounts that Victoria has not received.

(b) 2017-18 estimates includes an additional payment related to 2016-17 as the agreement was not finalised in 2016-17.

Table 4.8: Payments for education services (\$ million)

	2017-18 revised	2018-19 budget	Change %
Quality Schools Funding			
Support for school services.			
<i>Government schools</i>	1 619	1 757	8.5
National Agreement for Skills and Workforce Development			
Funding for the delivery of training services.			
	385	393	2.0
National Partnerships			
<i>Early childhood education</i>			
Funding to assist Victoria to meet the Council of Australian Governments' target of access to 15 hours of early childhood education a week for all children in the year before full-time school.			
	108	84	(22.6)
<i>Skilling Australians Fund ^(a)</i>			
Commonwealth funding will support the training of Victorians through a range of projects focused on skills priorities.			
	..	92	..
<i>School Chaplaincy Program ^(b)</i>			
Funding to support the emotional wellbeing of students by providing pastoral care services.			
	13	..	(100.0)
Other	8	1	(87.8)
Total education services	2 133	2 326	9.0

Source: Department of Treasury and Finance

Notes:

(a) Funding amount is indicative only and final allocation is subject to formal negotiations between the Commonwealth and the states.

(b) Agreement not currently continued beyond 2017-18.

Table 4.9: Payments for environment services (\$ million)

	2017-18 revised	2018-19 budget	Change %
National Partnerships			
<i>Sustainable Rural Water Use and Infrastructure Program</i>			
This funding is provided under a number of arrangements, such as the National Partnership on Water for the Future and Water Management Partnership Agreements under the Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin.	181	132	(27.3)
<i>National Rivercare Program</i> ^(a)			
Funding to help communities, farmers and other land managers protect the natural environment.	22	..	(99.3)
Other	31	41	30.3
Total environment services	235	173	(26.2)

Source: Department of Treasury and Finance

Note:

(a) Agreement ceasing at the end of 2017-18.

Table 4.10: Payments for health services (\$ million)

	2017-18 revised	2018-19 budget	Change %
National Health Reform Agreement			
The National Health Reform Agreement sets out the terms on which the Commonwealth contributes funding to the State's public hospital system. Hospitals are funded on the basis of an activity based funding formula.	5 089	5 323	4.6
National Partnerships			
<i>Adult Public Dental Services</i>			
Funding to assist states to reduce wait times and provide public dental services to adults.	34	27	(20.0)
<i>Essential Vaccines Program</i> ^(a)			
Funding to deliver immunisation programs, reducing the incidence of vaccine preventable diseases.	12	3	(72.1)
Other ^(b)	45	1	(98.0)
Total health services	5 180	5 354	3.4

Source: Department of Treasury and Finance

Notes:

(a) The decrease in payments in 2018-19 is a result of the Commonwealth now funding and purchasing vaccines for delivery by the states.

(b) Aged Care Assessment Services, Albury Wodonga Cardiac Catheterisation and National Reform Agenda for Organ and Tissue Donation agreements cease at the end of 2017-18.

Table 4.11: Payments for infrastructure services (\$ million)

	2017-18 revised	2018-19 budget	Change %
National Partnerships			
<i>Infrastructure Investment Programme</i>			
Funding is provided for road and rail infrastructure. The program assists economic and social development regionally and nationally by providing funding to improve the performance of land transport infrastructure.			
	477	229	(51.9)
Other payments to the State			
<i>Interstate Road Transport</i> ^(a)			
The Federal Interstate Registration Scheme (FIRS) levies registration charges on vehicles engaged in interstate trade and commerce. The Commonwealth Government pays a share of revenue collected under the FIRS to states and territories, to cover the costs of maintenance and upkeep on roads used by these motor vehicles.			
	19	..	(100.0)
Other	4	..	(100.0)
Total infrastructure	500	229	(54.1)

Source: Department of Treasury and Finance

Note:

(a) The Commonwealth has advised that the FIRS will be closed from 1 July 2018, and from that date registration fees will be retained by the respective state in which the vehicle is registered.

Table 4.12: Payments for contingent and other services (\$ million)

	2017-18 revised	2018-19 budget	Change %
National Partnerships			
<i>Victoria Legal Aid</i>			
Funding for a share of the service delivery costs of Victoria Legal Aid on Commonwealth law matters.			
	60	61	1.7
National Disaster Resilience Program			
Funding to identify and address natural disaster risk priorities across the nation.			
	10	..	(100.0)
Other ^(a)	1 571	1 839	17.1
Total other services	1 642	1 900	15.8

Source: Department of Treasury and Finance

Note:

(a) Includes payments from the Commonwealth to hospitals including for the pharmaceutical benefits scheme and residential aged care subsidies. It also reflects the expected payments under the Regional Rail Revival program.

SALES OF GOODS AND SERVICES

Revenue from the sales of goods and services is expected to grow by 6.4 per cent in 2018-19 to \$7.5 billion. Over the forward estimates, growth is expected to average 4.6 per cent a year. This growth largely reflects an increase in the capital asset charge revenue from VicTrack associated with an increase in its asset base, an increase in TAFE fees for service and an increase in land registration fees.

Table 4.13: Sales of goods and services (\$ million)

	2017-18	2018-19	2019-20	2020-21	2021-22
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Motor vehicle regulatory fees	216	225	234	266	300
Other regulatory fees	538	539	546	558	566
Sale of goods	80	89	93	97	99
Provision of services	4 123	4 342	4 940	5 041	5 153
Rental	75	78	80	82	84
Refunds and reimbursements	11	11	11	11	11
Inter-sector capital asset charge	2 044	2 257	2 371	2 395	2 408
Total sales of goods and services	7 087	7 541	8 275	8 450	8 621

Source: Department of Treasury and Finance

DIVIDENDS, INCOME TAX EQUIVALENT AND RATE EQUIVALENT REVENUE

Table 4.14 details the dividends, income tax and rate equivalent revenue received by the State from government business enterprises.

Dividend and income tax equivalent (ITE) revenue is projected to be \$922 million in 2018-19 and decrease by an average of 15.7 per cent a year over the following three years. The increase in 2018-19, compared to 2017-18, is due to dividends received in 2018-19 from the Victorian Managed Insurance Authority.

Table 4.14: Dividends, income tax equivalent and rate equivalent revenue (\$ million)

	2017-18	2018-19	2019-20	2020-21	2021-22
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Dividends	455	698	225	258	278
Income tax equivalent revenue	275	217	278	299	266
Local government rate equivalent revenue	6	7	8	7	7
Total dividends, income tax equivalent and rate equivalent revenue	737	922	511	564	552

Source: Department of Treasury and Finance

INTEREST REVENUE

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

Interest revenue is expected to be \$864 million in 2018-19, and decline by an average of 1.6 per cent a year over the following three years as the balance of the Victorian Transport Fund declines.

OTHER REVENUE

Table 4.15 shows other revenue, which includes fines, donations and gifts, and royalties. Other revenue is projected to increase to \$2.6 billion in 2018-19.

Table 4.15: Other revenue (\$ million)

	2017-18	2018-19	2019-20	2020-21	2021-22
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Fines					
Road safety camera fines	348	371	396	406	417
Police on-the-spot fines	142	150	154	158	162
Toll road evasion fines	119	140	143	146	150
Non-traffic statutory and court fines	124	124	125	126	126
Total fines	733	785	818	836	855
Fair value of assets received free of charge or for nominal consideration	108	69	70	58	58
Royalties	101	100	102	105	107
Donations and gifts	288	313	311	338	346
Other non-property rental	27	27	28	29	30
Other Revenue- Education	632	643	659	675	692
Other revenue- Health	46	49	51	53	54
Other miscellaneous revenue	557	637	583	594	604
Total other revenue	2 492	2 622	2 622	2 687	2 747

Source: Department of Treasury and Finance

CHAPTER 5 – TAX EXPENDITURE 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.

This chapter includes recently announced Government decisions providing tax incentives and benefits to targeted taxpayers. Starting from 1 July 2018:

- the young farmer stamp duty exemption threshold will be increased from \$300 000 to \$600 000. This means young farmers aged under 35, buying their first farmland, will receive a full stamp duty exemption on farm purchases valued up to \$600 000, with a duty reduction on a sliding scale applying to purchases valued between \$600 000 and \$750 000;
- Australian Defence Force personnel will no longer be required to reside in their home for 12 months to benefit from the first home buyer stamp duty exemption. This recognises the operational requirements of their job; and
- the Government is reducing the payroll tax rate from 3.65 per cent to 2.425 per cent for regional-based businesses, provided they pay at least 85 per cent of their payroll to regional employees.

All amounts in this chapter have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding.

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 considered in this chapter.

Over the past decade, the State has forgone \$47.6 billion in revenue in tax expenditures. In 2018-19, tax expenditures are forecast to be about \$8.5 billion.

The tax expenditures outlined below include exemptions, reduced rates, and deductions or rebates of tax for a certain type of taxpayer, activity or asset. Table 5.1 aggregates tax expenditure estimates by the main tax categories for the period 2017-18 to 2021-22. In estimating tax expenditures, it is assumed taxpayer behaviour is unchanged by the concession.

Land tax expenditures form a significant portion of total estimated tax expenditures. The current biennial land revaluation determines a property's latest site value used in tax assessments for the following two years. Since the revaluation is performed on all land, including exempt land, increases arising from this revaluation also raise land tax expenditures. The current biennial property valuation process will be centralised within the Valuer-General Victoria from 1 July 2018 and undertaken annually from the 2019 revaluation cycle.

Table 5.1: Estimates of aggregate tax expenditures by type of tax (\$ million)

<i>Description</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>
Land tax	4 046	4 978	5 463	5 682	6 295
Fire Services Property Levy	22	22	22	22	22
Payroll tax	1 268	1 371	1 459	1 557	1 663
Gambling tax	77	78	79	80	81
Motor vehicle taxes	172	196	209	218	228
Land transfer duties	1 709	1 830	1 730	1 604	1 622
Congestion levy	52	53	54	56	57
Total estimated tax expenditures	7 346	8 529	9 016	9 219	9 969

Source: Department of Treasury and Finance

Table 5.2 breaks down the aggregate tax expenditures that can be costed by type of tax.

Table 5.2: Estimates of tax expenditures that can be costed (\$ million)

<i>Description</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>
Land tax					
Crown property (right of Victoria)	250	308	337	349	385
Principal place of residence	2 251	2 770	3 032	3 139	3 466
Land held in trust for public or municipal purposes or vested in any municipality	269	331	363	375	415
Land used by charitable and religious institutions	199	245	268	278	307
Commonwealth land	259	319	349	361	399
Land used for primary production	387	476	521	539	595
Land vested in public statutory authorities	184	226	247	256	283
Land used for the CityLink network	31	39	42	44	48
Assessment on a single holding basis for land owned by a municipality	7	9	9	10	11
Partial exemption for not-for-profit organisations solely for social, sporting, cultural or literary purposes, or horse, pony or harness racing	6	8	8	9	10
Assessment on a single holding basis for land owned by charities	15	19	21	21	24
Retirement villages	29	35	39	40	44
Not-for-profit organisations providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	37	46	50	52	57
Land tax exemption for friendly societies	..	..	..	..	..
Associations of ex-servicemen	3	3	4	4	4
Caravan parks	5	6	7	7	8
Residential care facilities	17	21	23	24	27
Low cost accommodation	1	2	2	2	2
Land tax exemption for mining	..	..	..	..	1
Absentee owner surcharge exemption ^(a)	94	115	140	171	210
Total land tax expenditures	4 046	4 978	5 463	5 682	6 295
Fire Services Property Levy					
Fire Services Property Levy concession for pensioners and Department of Veterans' Affairs cardholders	22	22	22	22	22
Total Fire Services Property Levy expenditures	22	22	22	22	22
Payroll tax					
Wages paid by public hospitals	426	447	476	508	542
Wages paid by public benevolent institutions/charities	296	312	334	358	384
Wages paid by non-profit non-government schools	191	200	214	230	247
Commonwealth departments/agencies (excluding transport and communication)	83	87	92	96	102
Wages paid by non-profit hospitals	43	45	48	52	55
Municipal councils (not wages for trading activities)	130	136	145	155	166
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986 (Commonwealth)</i>	15	16	16	17	18
Religious institutions	6	6	6	7	8
Construction industry leave entitlements paid by CoINVEST	4	5	5	5	6
Paid maternity leave	25	26	28	30	31
Wages paid to employees participating in voluntary emergency service work	1	1	1	1	1
Displaced apprentices and trainees ^(b)	10	13	13	14	14
Reduce the payroll tax rate for regional businesses ^(c)	38	77	81	85	90
Total payroll tax expenditures	1 268	1 371	1 459	1 557	1 663

Table 5.2: Estimates of tax expenditures that can be costed (continued) (\$ million)

<i>Description</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>
Gambling tax					
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	77	78	79	80	81
Total gambling tax expenditures	77	78	79	80	81
Motor vehicle taxes					
Discounted registration fee for vehicles operated by Health Care Card holders and pensioners	112	135	146	154	162
Discounted registration fee for vehicles operated by totally and permanently incapacitated persons	2	2	2	2	2
Discounted registration fee for light vehicles operated by primary producers	8	8	8	9	9
Discounted registration fee for heavy vehicles operated by primary producers	42	43	44	45	46
Discounted registration for hybrid or electric cars	3	4	4	4	5
Discounted registration fee for trade apprentices	1	1	1	1	1
Stamp duty exemption on mobile plant registration	3	3	3	3	3
Total motor vehicle tax expenditures	172	196	209	218	228
Land transfer duties					
Land transfer duty concession for first home buyers of properties valued up to \$600 000 ^(d)	534	693	707	732	762
Land transfer duty concession for farmers under 35 years of age buying their first farmland	2	3	3	4	4
Stamp duty for corporate reconstruction	392	416	425	439	458
Conveyance duty concession for pensioners and concession cardholders	108	112	119	126	134
Stamp duty for principal place of residence	59	61	63	65	67
Off-the-plan stamp duty concession for investors ^(e)	444	368	233	52	3
Off-the-plan stamp duty concession for owner-occupiers ^(e)	94	98	100	103	107
Foreign Purchaser Additional Duty exemption for corporations and trustees ^(f)	76	79	81	83	87
Total land transfer duties expenditures	1 709	1 830	1 730	1 604	1 622
Congestion levy tax					
Residential	7	7	7	7	8
Commercial and private	45	46	47	48	50
Total congestion levy tax expenditures	52	53	54	56	57
Total estimated tax expenditures	7 346	8 529	9 016	9 219	9 969

Source: Department of Treasury and Finance

Notes:

- (a) Absentee owner surcharge exemption applies to certain Australian-based absentee land owners.
- (b) This includes the payroll tax exemption for approved for-profit group training organisations.
- (c) From 1 July 2018, the Government is reducing the payroll tax rate applicable to regional businesses from 3.65 per cent to 2.425 per cent. Regional-based businesses are eligible for the lower payroll tax rate on their entire payroll, provided they pay at least 85 per cent of their payroll to regional employees. All other businesses will continue to pay the current 4.85 per cent payroll tax rate. This expenditure is calculated after accounting for the increase in the payroll tax-free threshold.
- (d) From 1 July 2017, land transfer duty was abolished for first home buyers purchasing a home with a dutiable value of not more than \$600 000. Further, first home purchases valued between \$600 000 and \$750 000 receive a sliding scale duty reduction.
- (e) This is the first time that the off-the-plan stamp duty concession for owner-occupiers and investors has been split out in Table 5.2. The declining off-the-plan stamp duty expenditure for investors reflects the Government's policy to restrict the concession to those who qualify for the principal place of residence or first home buyer stamp duty exemption or concession, announced as part of Homes for Victorians.
- (f) Foreign corporations and trusts may be eligible for a discretionary exemption from Foreign Purchaser Additional Duty in some circumstances. The exemption is intended to apply to corporations or trusts that are Australian-based, and whose activities in developing or re-developing property add to the supply of housing stock in Victoria.

Table 5.3 shows the ratio of tax expenditures to revenue by the main categories of tax in 2018-19. Overall, the ratio increases from 33 per cent in 2017-18 to 35 per cent in 2018-19, largely due to changes in the land transfer duty for first time home buyers. The overall ratio of tax expenditures estimates for 2018-19 are higher than estimates over the past decade, which have risen from around 23 per cent in 2008-09.

Table 5.3: Estimated aggregate tax expenditures and tax revenue in 2018-19 (\$ million)

<i>Description</i>	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	4 978	3 093	1.61
Payroll tax	1 371	6 193	0.22
Gambling tax	78	1 876	0.04
Motor vehicle taxes	196	2 651	0.07
Land transfer duties	1 830	7 067	0.26
Congestion levy	53	122	0.44
Fire Services Property Levy	22	642	0.03
Other/miscellaneous	..	2 438	..
Total for items estimated	8 529	24 081	0.35

Source: Department of Treasury and Finance

Table 5.4 estimates tax expenditures for groups of potential taxpayers based on the legal incidence of State taxes. The largest beneficiaries of tax expenditures are owner-occupier households, mainly as a result of the principal place of residence being exempt from land tax. Revenue forgone from this group is expected to be around \$3.6 billion in 2018-19, an expected increase of \$684 million from 2017-18.

Table 5.4: Estimated aggregate tax expenditures classified by persons or entities affected (\$ million)

<i>Description</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>
Business not elsewhere included ^(a)	739	844	891	950	1 027
Charitable, religious and educational institutions ^(b)	708	783	844	895	969
Gambling clubs	77	78	79	80	81
Commonwealth and State governments	776	939	1 025	1 062	1 168
Local government	406	476	517	540	591
Hospitals	469	492	524	559	597
Pensioners/concession cardholders	275	310	332	348	369
Owner-occupier households	2 938	3 622	3 901	4 039	4 403
Off-the-plan stamp duty concession for investors ^(c)	444	368	233	52	3
Primary producers	439	530	576	596	654
Sporting, recreation and cultural organisations	43	53	58	61	67
Other	31	33	36	38	40
Total for items estimated	7 346	8 529	9 016	9 219	9 969

Source: Department of Treasury and Finance

Notes:

(a) This includes construction industry estimates, which were previously classified as separate categories.

(b) This includes educational institutions estimates, which were previously classified as separate categories.

(c) The declining off-the-plan stamp duty expenditure reflects the Government's policy to restrict the concession to those who qualify for the principal place of residence or first home buyer stamp duty exemption or concession, announced as part of Homes for Victorians.

CONCESSIONS

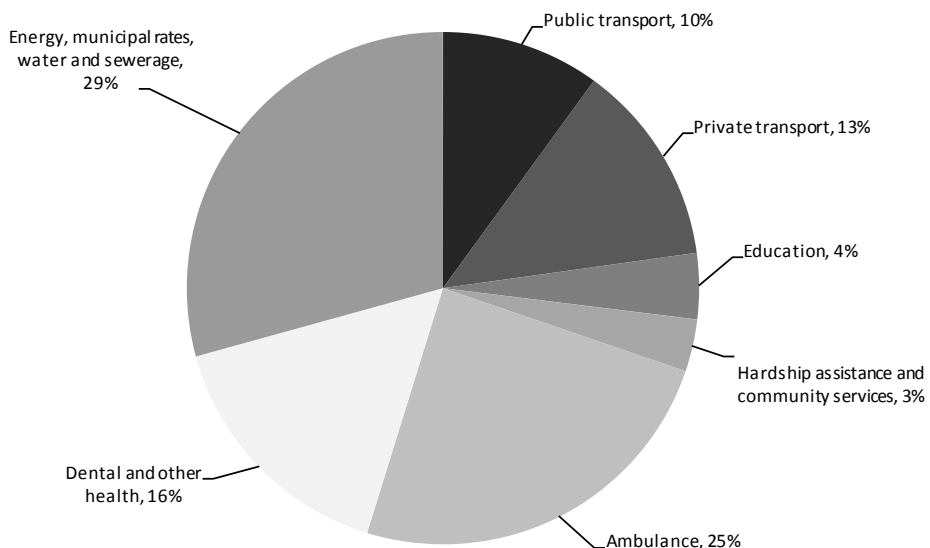
Concessions are direct budget outlays or reduced government charges that reduce the price of a good or service for particular groups. Over the past decade, the State has provided \$14.9 billion in concessions. In 2018-19, concessions are forecast to be about \$1.7 billion.

Certain characteristics of a consumer, such as possessing 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.

Chart 5.1 shows the estimated distribution of concessions by category for 2018-19. The two largest categories account for more than two-thirds of total concessions:

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

Chart 5.1: Estimated concessions by category 2018-19



Source: Department of Treasury and Finance

Table 5.5 classifies the major concessions by category.

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

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

Hardship schemes include the Utility Relief Grants Scheme and payments 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. The concession estimates in Table 5.5 below incorporate the 2018-19 initiative to increase the relief grant cap from \$500 to \$650. 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.

<i>Description</i>	<i>2017-18</i>	<i>2018-19</i>
Electricity	149	152
Mains gas	67	68
Municipal rates	94	97
Water and sewerage	171	175
Total energy, municipal rates, water and sewerage	481	492
Ambulance	400	412
Dental services and spectacles ^(a)	175	158
Community health programs	108	110
Total health	683	679
Education	68	70
Hardship schemes	43	50
Social and community services	5	5
Private transport	212	215
Public transport	161	168
Total for items estimated	1 653	1 679

Source: Department of Treasury and Finance

Note:

(a) The higher concessions on dental services for 2017-18 compared with 2018-19 is due to the remainder of unspent 2016-17 National Partnership Agreement on Adult Public Dental Services funding that has been transferred into 2017-18.

CHAPTER 6 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

CONTINGENT ASSETS

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

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable. Table 6.1 contains quantifiable contingent assets as at 23 April 2018.

Table 6.1: Quantifiable contingent assets (\$ million)

	As at Dec 2017 ^(a)	As at April 2018
Guarantees, indemnities and warranties	44	36
Legal proceedings and disputes	9	9
Other ^(b)	100	100
Total contingent assets	152	145

Source: Department of Treasury and Finance

Notes:

(a) As published in the 2017-18 Budget Update.

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

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 23 April 2018.

Table 6.2: Quantifiable contingent liabilities (\$ million)

	As at Dec 2017 ^(a)	As at April 2018
Guarantees, indemnities and warranties	234	207
Legal proceedings and disputes	128	114
Other	42	44
Non-general government debt ^(b)	11 239	11 611
Total contingent liabilities	11 643	11 975

Source: Department of Treasury and Finance

Notes:

(a) As published in the 2017-18 Budget Update.

(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 under the project agreement. The State underwrites the financial risk of any default by BRC.

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.

Government policy is to fund the project from a State contribution, tolls on the West Gate Tunnel and changes to tolling on the existing CityLink toll road, and to implement these through the legislative support outlined in the contractual documents.

Should legislative support not be forthcoming in the agreed form and timeframe, the contractual documents specify additional contingent State funding to replace or augment funding from the toll revenue streams that are not legislated. A number of variables may influence the value of any State contingent funding required, so it is not feasible to quantify any further State funding requirement at this time.

Level Crossing Removal Program

The State has introduced a voluntary purchase scheme for residential properties directly impacted by the Caulfield–Dandenong component of the Level Crossing Removal Program. The scheme commenced on 29 March 2016. The Level Crossing Removal Authority is anticipating future claims by property owners for either outright purchase and associated costs or costs related to landscaping if property owners choose to stay. Due to the uncertainty of the take-up of the offer, it is not feasible to reasonably quantify the value of the liability at this stage.

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.

Royal Melbourne Showgrounds redevelopment

Under the State's commitment to the Royal Agricultural Society of Victoria (RASV), the State backs certain obligations of RASV that may arise out of a 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 the State Support Deed – Non Core Land with Showgrounds Retail Developments Pty Ltd and the RASV, whereby the State guarantees certain payment obligations of the RASV under the non-core development agreement.

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 contamination is identified.

Native Title

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

Department of Education and Training

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

- volunteer school workers and volunteer student workers: the *Education and Training Reform Act 2006* provides a specific indemnity for personal injuries suffered by volunteer school workers and volunteer student workers arising out of or in the course of engaging in school work or community work respectively;
- members of school councils: the *Education and Training Reform Act 2006* provides an indemnity to members of school councils for any legal liability, whether in contract, negligence or defamation;
- 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; and
- school councils: the Department will usually indemnify school councils in claims of common law negligence, and will often indemnify in relation to 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 9 March 2018, the Government announced it would participate in a National Redress Scheme for people who were sexually abused as children while in the care of institutions.

The scheme is intended to give survivors of institutional child sexual abuse acknowledgement and dignity, with a focus on justice, transparency and healing. This follows the Victorian Betrayal of Trust report and the Royal Commission into Institutional Responses to Child Sexual Abuse.

The operation of the scheme remains dependent on the passage of Victorian and Commonwealth legislation. Much of the abuse in question occurred many years ago. The precise number of eligible survivors of abuse is difficult to estimate. Consequently, the exact financial implications of Victoria's participation remain uncertain.

Fiskville independent investigation and closure of training college

An independent investigation was undertaken into the historical use of chemicals for live firefighting training at Fiskville 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 to 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 the CFA at the Penshurst, Bangholme, West Sale, Wangaratta, Huntly, and Longerenong have been the subject of notices issued by the Environment Protection Authority (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 inquiry, 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 Victorian Parliamentary Inquiry into the CFA Training College at Fiskville 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.

Victorian Managed Insurance Authority – insurance cover

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for State Government departments, participating bodies and other entities as defined under the *Victorian Managed Insurance Authority Act 1996*. The VMIA insures its clients 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 limit of \$1 billion for public and products liability, and for losses above \$50 million arising out of any one event, up to a limit 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 1993, 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 in any policy year from 1 July 2003 exceed by more than 20 per cent of the initial estimate on which the risk premium was based.

Flood and storm events

Since August 2015, Victoria has experienced a number of natural disaster events. Specifically, in September 2016 a severe flood and storm event impacted 51 local government areas across Victoria. The State of Victoria formally activated the Commonwealth-State Natural Disaster Relief and Recovery Arrangements (NDRRA) for the recent events, and financial assistance is provided jointly by the Victorian and Commonwealth governments to individuals, households and local councils. At this stage, it is impractical to quantify the financial effects of these contingent liabilities.

Other commitments

Alcoa contribution and advance facility

The State has entered into a funding agreement effective from 2017-18 that may require provision of financial support to a Victorian smelter.

APPENDIX A – PUBLIC ACCOUNT

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

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

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

Consolidated Fund

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

The Trust Fund

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

A.1 The Consolidated Fund

Estimated receipts and payments for the year ending 30 June 2018 and 30 June 2019

	(\$ million)		
	2017-18 <i>budget</i>	2018-19 <i>budget</i>	Variation %
Receipts			
Taxation	21 989	24 247	10.3
Fines and regulatory fees	917	895	(2.3)
Grants received	19 632	22 386	14.0
Sales of goods and services (including section 29 FMA annotated) ^(a)	6 804	9 273	36.3
Interest received	507	491	(3.2)
Dividends, income tax equivalent and rate equivalent receipts	1 148	830	(27.7)
Other receipts ^(a)	365	469	28.4
Total operating activities	51 362	58 591	14.1
Total cash inflows from investing and financing	7 036	7 370	4.7
Total receipts	58 398	65 961	12.9
Payments			
Special appropriations	4 311	4 657	8.0
Appropriations ^(b)			
Provision of outputs	43 081	47 109	9.4
Additions to the net asset base	4 300	6 067	41.1
Payments made on behalf of the State	8 213	7 150	(12.9)
Receipts credited to appropriation			
Provision of outputs	1 951	1 848	(5.3)
Additions to the net asset base	90	100	11.5
Sub total	61 945	66 931	8.0
Appropriations remaining unspent	(381)	(573)	50.4
Total payments	61 564	66 358	7.8
Net receipts/(payments)	(3 166)	(397)	(87.5)
Opening balance 1 July ^(c)	1 127	(593)	n.a.
Estimated closing balance 30 June	(2 039)	(990)	(51.5)

Source: Department of Treasury and Finance

Notes:

(a) The 2017-18 budget figures have been reclassified to reflect more current information.

(b) Includes unapplied appropriations carried over from the previous year.

(c) The opening balance of cash and deposits for the 2018-19 budget is based on the 2017-18 opening balances plus the estimated movements for the 2017-18 revised budget (see Appendix B Note B.10.1).

A.2 Consolidated Fund receipts

(\$ thousand)

	2017-18 budget	2018-19 budget	Variation %
Operating receipts			
Taxation			
Payroll tax	6 538 821	6 878 312	5.2
Land tax	2 366 866	2 923 593	23.5
Fire Services Property Levy	674 097	641 800	(4.8)
Congestion levy	117 960	121 703	3.2
Gambling taxes	1 790 517	1 859 967	3.9
Financial and capital transactions			
Land transfer duty	6 216 635	7 075 088	13.8
Other property duties	380	..	n.a.
Growth areas infrastructure contribution	99 551	136 200	36.8
Metropolitan Planning Levy	27 300	25 942	(5.0)
Financial accommodation levy	153 797	174 139	13.2
Levies on statutory corporations	111 963	156 609	39.9
Insurance	1 289 235	1 366 753	6.0
Motor vehicle			
Registration fees pursuant to the <i>Road Safety Act</i> , No. 127 of 1986	1 605 911	1 688 478	5.1
Stamp duty on vehicle transfers	925 388	974 902	5.4
Liquor licence fees	23 027	23 617	2.6
Other taxes	47 394	199 712	321.4
Total	21 988 843	24 246 816	10.3
Fines and regulatory fees			
Fines	402 522	380 435	(5.5)
Regulatory fees	514 149	514 840	0.1
Total	916 671	895 275	(2.3)
Grants received			
Grants received by department			
Department of Economic Development, Jobs, Transport and Resources	2 000	1 000	(50.0)
Department of Education and Training	7 500	7 500	..
Department of Environment, Land, Water and Planning	36 238	10 029	(72.3)
Department of Health and Human Services	43 414	38 953	(10.3)
Department of Justice and Regulation	582	..	n.a.
Department of Treasury and Finance	19 542 652	22 328 282	14.3
Parliament	..	458	..
Total	19 632 387	22 386 222	14.0
Sales of goods and services ^(a)	6 804 016	9 272 929	36.3
Interest received	507 366	491 337	(3.2)
Dividends, income tax equivalent and rate equivalent receipts			
Dividends	932 076	666 454	(28.5)
Income tax equivalent receipts	203 585	156 137	(23.3)
Local government tax equivalent receipts	12 274	6 950	(43.4)
Total	1 147 935	829 541	(27.7)

A.2 Consolidated Fund receipts (*continued*)

(\$ thousand)

	2017-18 <i>budget</i>	2018-19 <i>budget</i>	Variation %
Other receipts			
Land rent received	17 931	16 186	(9.7)
Royalties received	94 673	99 387	5.0
Other ^(a)	252 406	353 283	40.0
Total ^(a)	365 010	468 855	28.4
Total operating activities	51 362 229	58 590 976	14.1
Other loans	655	655	..
Return of capital – government entities	148 535	329 555	121.9
Borrowings	6 886 967	7 039 525	2.2
Total cash inflows from investing and financing	7 036 157	7 369 735	4.7
Total Consolidated Fund receipts	58 398 386	65 960 711	12.9

Source: Department of Treasury and Finance

Note:

(a) The 2017-18 budget figures have been reclassified to reflect more current information.

A.3 Consolidated Fund appropriations – summary

(\$ thousand)

	2017-18 budget	2018-19 budget	Variation %
Economic Development, Jobs, Transport and Resources			
Special appropriations	181 197	304 071	67.8
Annual appropriations	10 575 346	12 757 240	20.6
Total	10 756 543	13 061 311	21.4
Education and Training			
Special appropriations	6 202	10 598	70.9
Annual appropriations	13 133 546	14 664 809	11.7
Total	13 139 748	14 675 407	11.7
Environment, Land, Water and Planning			
Special appropriations	92 860	173 262	86.6
Annual appropriations	2 235 227	2 362 804	5.7
Total	2 328 087	2 536 066	8.9
Health and Human Services			
Special appropriations	1 433 982	1 446 352	0.9
Annual appropriations	15 232 035	16 500 193	8.3
Total	16 666 017	17 946 545	7.7
Justice and Regulation			
Special appropriations	12 320	12 643	2.6
Annual appropriations	7 506 492	7 976 274	6.3
Total	7 518 812	7 988 917	6.3
Premier and Cabinet			
Special appropriations	49 290	113 462	130.2
Annual appropriations	599 729	644 003	7.4
Total	649 019	757 466	16.7
Treasury and Finance			
Special appropriations	2 276 302	2 338 403	2.7
Annual appropriations	7 749 260	6 654 886	(14.1)
Total	10 025 562	8 993 289	(10.3)
Parliament			
Special appropriations	63 943	49 918	(21.9)
Annual appropriations	179 134	187 425	4.6
Total	243 077	237 343	(2.4)
Courts			
Special appropriations	194 785	208 034	6.8
Annual appropriations	423 436	526 172	24.3
Total	618 221	734 206	18.8
Total special appropriations	4 310 881	4 656 743	8.0
Total annual appropriations	57 634 204	62 273 806	8.1
Total appropriations^(a)	61 945 085	66 930 549	8.0

Source: Department of Treasury and Finance

Note:

(a) Includes receipts credited to appropriation and unapplied previous year appropriations carried over.

A.4 Consolidated Fund payments – special appropriations

(\$ thousand)

	2017-18 budget	2018-19 budget	Variation %
Economic Development, Jobs, Transport and Resources			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	179 197	291 971	62.9
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	..	10 100	..
<i>Transport (Compliance and Miscellaneous) Act, Section 213A(4)</i>	2 000	2 000	..
Total	181 197	304 071	67.8
Education and Training			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	5 919	..	n.a.
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	..	10 315	..
<i>Education and Training Reform Act No. 24/26 of 2006, Section 5.6.8 – Volunteer Workers Compensation</i>	283	283	..
Total	6 202	10 598	70.9
Environment, Land, Water and Planning			
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	..	28 674	..
Payments to Growth Areas Public Transport Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	46 430	72 294	55.7
Payments to Building New Communities Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	46 430	72 294	55.7
Total	92 860	173 262	86.6
Health and Human Services			
<i>Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund</i>	18 739	18 573	(0.9)
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	33 316	91 838	175.7
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.11 – Hospitals and Charities Fund and Mental Health Fund</i>	884 891	868 716	(1.8)
<i>Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 – Hospitals and Charities Fund</i>	56 574	54 554	(3.6)
<i>Gambling Regulation Act No. 114 of 2003, Section 5.4.6 – Hospitals and Charities Fund and Mental Health Fund</i>	434 296	405 967	(6.5)
<i>Gambling Regulation Act No. 114 of 2003, Section 6A.4.4(1) – Contributions to Hospital and Charities Fund and Mental Health Fund</i>	6 166	6 704	8.7
Total	1 433 982	1 446 352	0.9

A.4 Consolidated Fund payments – special appropriations (continued)
(\$ thousand)

	2017-18 budget	2018-19 budget	Variation %
Justice and Regulation			
<i>Crown Proceedings Act No. 6232</i>	5 485	5 622	2.5
<i>EastLink Project Act No. 39 of 2004, Section 26</i>	2 095	2 199	5.0
<i>Emergency Management Act No 30 of 1986, Section 32 – Volunteer Workers Compensation</i>	356	356	..
<i>Melbourne City Link Act No. 107 of 1995, Section 14(4)</i>	3 291	3 373	2.5
<i>Victoria State Emergency Service Act No. 51 of 2005, Section 52 – Volunteer Workers Compensation</i>	972	972	..
<i>Work Cover Authority Fund, Corrections Act 1986, Part 9D, S.104ZW</i>	121	121	..
Total	12 320	12 643	2.6
Premier and Cabinet			
<i>Constitution Act No. 8750 – Executive Council</i>	50	50	..
<i>Constitution Act No. 8750 – Governor’s Salary</i>	218	223	2.5
<i>Electoral Act No. 23 of 2002, Section 181 – Electoral Expenses</i>	48 458	101 028	108.5
<i>Electoral Act No. 23 of 2002, Section 215 – Electoral Entitlement</i>	..	11 583	..
<i>Ombudsman Act No. 8414</i>	564	578	2.5
Total	49 290	113 462	130.2
Treasury and Finance			
<i>Constitution Act No. 8750 – Governor’s Pension</i>	1 083	1 697	56.7
<i>Constitution Act No. 8750 – Judges of the Supreme Court</i>	10 527	12 638	20.0
<i>County Court Act No. 6230 – Judges</i>	14 576	17 392	19.3
<i>Essential Services Commission Act No. 61 of 2001, Section 540 – Refund of Penalty</i>	200	200	..
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations^(a)</i>	..	13 000	..
<i>Financial Management Act No. 18 of 1994, Section 39 – Interest on Advances</i>	20 000	20 000	..
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.12 – Community Support Fund</i>	148 845	149 342	0.3
<i>Liquor Control Reform Act No. 94 of 1998, Section 177(2)</i>	3 500	3 500	..
<i>State Superannuation Act No. 50 of 1988, Section 90(2) – Contributions</i>	1 074 870	1 117 934	4.0
<i>Taxation Administration Act 1997, Section 121 – Funding for court costs awarded against the Commissioner of State Revenue</i>	1 000	1 000	..
<i>Taxation (Interest on Overpayments) Act No. 35 of 1986, Section 11</i>	1 000	1 000	..
<i>Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 – Debt Retirement</i>	1 000 700	1 000 700	..
Total	2 276 302	2 338 403	2.7

A.4 Consolidated Fund payments – special appropriations (*continued*)

(\$ thousand)

	2017-18 budget	2018-19 budget	Variation %
Parliament			
<i>Audit Act No. 2 of 1994, Section 17(3) – Audit of Auditor-General’s Office</i>	33	33	..
<i>Constitution Act No. 8750, Section 94A – Auditor-General’s Salary</i>	558	572	2.5
<i>Constitution Act No. 8750 – Clerks of the Parliaments</i>	2	2	..
<i>Constitution Act No. 8750 – Legislative Assembly</i>	550	550	..
<i>Constitution Act No. 8750 – Legislative Council</i>	200	200	..
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations^(a)</i>	14 750	500	(96.6)
<i>Parliamentary Salaries and Superannuation Act No. 7723, Section 13(1) – Contributions</i>	9 300	9 300	..
<i>Parliamentary Salaries and Superannuation Act No. 7723 – Salaries and Allowances</i>	38 550	38 761	0.5
Total	63 943	49 918	(21.9)
Courts			
<i>Constitution Act No. 8750 – Chief Justice</i>	814	850	4.5
<i>Constitution Act No. 8750 – President Court of Appeal</i>	654	684	4.5
<i>Constitution Act No. 8750 – Judges Court of Appeal</i>	7 833	8 192	4.6
<i>Constitution Act No. 8750 – Judges Supreme Court</i>	26 373	28 133	6.7
<i>County Court Act No. 6230 – Judges</i>	36 845	39 022	5.9
<i>Juries Act No. 53 of 2000, Section 59 – Compensation to Jurors</i>	27	28	3.7
<i>Magistrates Court Act No. 51 of 1989</i>	61 262	68 238	11.4
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Awards</i>	41 000	42 025	2.5
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Expenses</i>	3 301	3 431	3.9
<i>Victorian Civil and Administrative Tribunal Act 53 of 1998, Section 17AA</i>	16 678	17 430	4.5
Total	194 785	208 034	6.8
Total special appropriations	4 310 881	4 656 743	8.0

Source: Department of Treasury and Finance

Note:

(a) Relates to previously applied appropriations.

A.5 Consolidated Fund payments: total annual appropriations

Details of total annual appropriations for 2018-19 are outlined below, including estimated amounts of unapplied 2017-18 appropriation carried forward pursuant to section 32 of the *Financial Management Act 1994* and certain revenue and asset sales proceeds credited to appropriation pursuant to section 29 of the *Financial Management Act 1994*. Estimates for the *2018-19 Budget* are in **bold**. Estimates for the *2017-18 Budget* in *italics* reflect amounts published in the *2017-18 Budget*.

	(\$ thousand)			
	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Economic Development, Jobs, Transport and Resources				
Appropriation ^(a)	8 316 672	4 112 258	72 507	12 501 437
	<i>7 580 459</i>	<i>2 443 569</i>	<i>70 602</i>	<i>10 094 630</i>
Receipts credited to appropriation ^(b)	241 603	14 200	..	255 803
	<i>418 909</i>	<i>26 806</i>	..	<i>445 715</i>
Unapplied previous year appropriation carried over ^(c)	..	..	..	..
	..	<i>35 000</i>	..	<i>35 000</i>
Total appropriation	8 558 275	4 126 458	72 507	12 757 240
	<i>7 999 369</i>	<i>2 505 375</i>	<i>70 602</i>	<i>10 575 346</i>
Education and Training				
Appropriation ^(a)	13 249 912	723 915	..	13 973 827
	<i>12 021 093</i>	<i>326 311</i>	..	<i>12 347 404</i>
Receipts credited to appropriation ^(b)	543 044	40 500	..	583 544
	<i>530 642</i>	<i>40 500</i>	..	<i>571 142</i>
Unapplied previous year appropriation carried over ^(c)	55 206	52 232	..	107 438
	<i>215 000</i>	..	..	<i>215 000</i>
Total appropriation	13 848 162	816 647	..	14 664 809
	<i>12 766 735</i>	<i>366 811</i>	..	<i>13 133 546</i>
Environment, Land, Water and Planning				
Appropriation ^(a)	1 299 488	145 413	676 816	2 121 717
	<i>1 257 099</i>	<i>119 546</i>	<i>641 954</i>	<i>2 018 599</i>
Receipts credited to appropriation ^(b)	190 487	33 900	..	224 387
	<i>133 566</i>	<i>9 986</i>	..	<i>143 552</i>
Unapplied previous year appropriation carried over ^(c)	11 700	5 000	..	16 700
	<i>59 575</i>	<i>11 250</i>	<i>2 250</i>	<i>73 075</i>
Total appropriation	1 501 675	184 313	676 816	2 362 804
	<i>1 450 241</i>	<i>140 782</i>	<i>644 204</i>	<i>2 235 227</i>

A.5 Consolidated Fund payments: total annual appropriations (continued)

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Health and Human Services				
Appropriation ^(a)	15 408 952	374 867	62 494	15 846 313
	14 086 504	450 894	61 038	14 598 436
Receipts credited to appropriation ^(b)	553 225	10 289	..	563 515
	548 419	11 759	..	560 178
Unapplied previous year appropriation carried over ^(c)	90 366	..	..	90 366
	73 421	..	..	73 421
Total appropriation	16 052 543	385 156	62 494	16 500 193
	14 708 344	462 652	61 038	15 232 035
Justice and Regulation				
Appropriation ^(a)	7 119 514	471 381	36 001	7 626 896
	6 385 202	715 504	36 001	7 136 707
Receipts credited to appropriation ^(b)	207 500	600	..	208 100
	218 621	600	..	219 221
Unapplied previous year appropriation carried over ^(c)	73 236	68 041	..	141 277
	80 244	70 320	..	150 564
Total appropriation	7 400 250	540 022	36 001	7 976 274
	6 684 067	786 424	36 001	7 506 492
Premier and Cabinet				
Appropriation ^(a)	608 252	7 596	..	615 848
	498 004	7 100	..	505 104
Receipts credited to appropriation ^(b)	600	..	..	600
	600	..	..	600
Unapplied previous year appropriation carried over ^(c)	25 698	1 857	..	27 555
	94 025	..	..	94 025
Total appropriation	634 550	9 453	..	644 003
	592 629	7 100	..	599 729
Treasury and Finance				
Appropriation ^(a)	340 637	3 590	6 302 147	6 646 374
	286 857	52 590	7 401 315	7 740 762
Receipts credited to appropriation ^(b)	8 514	..	..	8 514
	8 498	..	..	8 498
Unapplied previous year appropriation carried over ^(c)	..	..	..	..

Total appropriation	349 150	3 590	6 302 147	6 654 887
	295 355	52 590	7 401 315	7 749 260

A.5 Consolidated Fund payments: total annual appropriations (continued)

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Parliament				
Appropriation ^(d)	147 703	6 590	..	154 293
	140 286	6 000	..	146 286
Receipts credited to appropriation ^(b)	26 742	458	..	27 200
	26 098	..	..	26 098
Unapplied previous year appropriation carried over ^(c)	5 932	..	..	5 932
	6 750	..	..	6 750
Total appropriation	180 377	7 048	..	187 425
	173 134	6 000	..	179 134
Courts				
Appropriation ^(a)	347 656	80 433	..	428 089
	296 440	61 589	..	358 029
Receipts credited to appropriation ^(b)	75 982	..	..	75 982
	65 407	..	..	65 407
Unapplied previous year appropriation carried over ^(c)	8 501	13 600	..	22 101

Total appropriation	432 139	94 033	..	526 172
	361 846	61 589	..	423 436

Source: Department of Treasury and Finance

Notes:

- (a) Appropriation (2018-19) Bill.
- (b) Financial Management Act 1994 section 29.
- (c) Financial Management Act 1994 section 32.
- (d) Appropriation (Parliament 2018-19) Bill.

A.6 Appropriation of certain revenue and asset sale proceeds pursuant to section 29 of the *Financial Management Act 1994*

Estimates for the *2018-19 Budget* are in **bold**; estimates for the *2017-18 Budget* are in *italics*.
(\$ thousand)

<i>Department</i>	<i>Outputs</i>	<i>Receipt source</i>		<i>Total</i>
		<i>Commonwealth</i>	<i>Other^(a)</i>	
Economic Development, Jobs, Transport and Resources	78 251	177 552	..	255 803
	<i>85 801</i>	<i>359 914</i>	..	<i>445 715</i>
Education and Training	66 634	477 410	39 500	583 544
	<i>60 623</i>	<i>471 019</i>	<i>39 500</i>	<i>571 142</i>
Environment, Land, Water and Planning	159 150	55 336	9 900	224 387
	<i>76 762</i>	<i>56 804</i>	<i>9 986</i>	<i>143 552</i>
Health and Human Services	348 916	205 310	9 289	563 515
	<i>325 419</i>	<i>225 500</i>	<i>9 259</i>	<i>560 178</i>
Justice and Regulation	141 298	66 202	600	208 100
	<i>157 343</i>	<i>61 278</i>	<i>600</i>	<i>219 221</i>
Premier and Cabinet	600	..	..	600
	<i>600</i>	..	..	<i>600</i>
Treasury and Finance	8 514	..	..	8 514
	<i>8 498</i>	..	..	<i>8 498</i>
Parliament	26 742	..	458	27 200
	<i>26 098</i>	..	..	<i>26 098</i>
Courts	65 723	10 259	..	75 982
	<i>56 947</i>	<i>8 460</i>	..	<i>65 407</i>

Source: Department of Treasury and Finance

Note:

(a) Includes asset sales and contributions from local governments.

A.7 The Trust Fund

(\$ thousand)

	2017-18 budget	2017-18 revised	2018-19 budget	Variation %
Cash flows from operating activities				
Receipts				
Taxation	389 651	385 590	385 390	(1.1)
Regulatory fees and fines	17 194	59 902	55 746	224.2
Grants received	14 766 117	15 368 563	17 231 990	16.7
Sale of goods and services	95 994	100 356	88 127	(8.2)
Interest received	251 033	246 599	214 272	(14.6)
Dividends received	12 935	19 063	14 455	11.8
Net transfers from Consolidated Fund	3 625 429	3 077 544	3 084 644	(14.9)
Other receipts	124 347	137 066	95 639	(23.1)
	19 282 699	19 394 684	21 170 263	9.8
Payments				
Payments for employees	(191 584)	(239 262)	(211 380)	10.3
Superannuation	(12 778)	(16 365)	(15 470)	21.1
Interest paid	(5 381)	(5 355)	(5 766)	7.2
Grants and subsidies	(17 730 432)	(18 087 364)	(20 255 522)	14.2
Goods and services	(1 603 855)	(1 604 634)	(1 550 178)	(3.3)
	(19 544 030)	(19 952 980)	(22 038 316)	12.8
Net cash flows from operating activities	(261 330)	(558 296)	(868 053)	232.2
Cash flows from investing activities				
Purchases of non-financial assets	(553 399)	(4 006)	(873 797)	57.9
Sales of non-financial assets	34 200	42 451	46 446	35.8
Net proceeds from customer loans	2 648 574	3 052 491	1 787 072	(32.5)
Other investing activities	(2 010 707)	(2 892 040)	(909 884)	(54.7)
Net cash flows from investing activities	118 668	198 896	49 837	(58.0)
Cash flows from financing activities				
Net borrowings	(24 544)	(24 544)	(23 953)	(2.4)
Net cash flow from financing activities	(24 544)	(24 544)	(23 953)	(2.4)
Net cash inflow/(outflow)	(167 207)	(383 944)	(842 170)	403.7
Represented by:				
Cash and cash equivalents held at beginning of reporting period	3 790 261	3 790 261	3 406 317	(10.1)
Cash and deposits held at end of reporting period	3 623 054	3 406 317	2 564 147	(29.2)

Source: Department of Treasury and Finance

APPENDIX B – 2017-18 BUDGET OUTCOME INCORPORATING THE FINANCIAL REPORT FOR THE MARCH QUARTER 2018

The financial statements included in this appendix estimate the budget outcomes for the 2017-18 financial year, taking into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the *2017-18 Budget* to Parliament in May 2017. This appendix also presents the financial results for the general government sector for the nine months ended 31 March 2018, prepared in accordance with the *Financial Management Act 1994*.

FINANCIAL RESULTS FOR THE GENERAL GOVERNMENT SECTOR

Revised 2017-18 budget outcome and result for the period to 31 March 2018

The net result from transactions for the nine months to 31 March 2018 is a surplus of \$3 billion. This result compares with a full-year revised budget of \$2 billion. This interim result is consistent with achieving the full-year estimate, and cannot be extrapolated for the likely full 2017-18 financial year result. This is due to the timing of recognition of some significant revenue items and seasonal and other factors impacting on the timing of activities and transactions.

Revenue from transactions

Total revenue for the nine months ended 31 March 2018 is \$48.4 billion, 76 per cent of the revised budget estimate for the year. This is slightly above pro rata mainly due to the recognition pattern of certain taxation revenues such as land tax and the Fire Services Property Levy, which are primarily recognised by the end of March, offset by the timing of receipt of certain grants.

Revenue is \$1.9 billion or 4.0 per cent higher than the same period in the prior year. This is primarily due to higher general purpose grant revenues resulting from strong population growth in Victoria and increases in land transfer duty reflecting higher than anticipated activity in the property market. These increases are partially offset by the upfront recognition in the prior year of prepaid port licence fees associated with entering the medium-term lease over the operations of the Port of Melbourne.

Expenses from transactions

Expenditure to the end of March 2018 totals \$45.4 billion, equal to 73 per cent of the full year revised budget estimate. Compared with the same time last year, expenditure is higher by \$2.8 billion or 6.6 per cent, primarily due to increased service delivery in the health, education, transport and community safety sectors.

Other economic flows

Total other economic flows for the period represented a gain of \$1 billion. This is driven by:

- a gain of \$686 million in the general government sector's 'investment in other sectors' primarily due to improvements to the net asset position of the PFC sector resulting from favourable movements in the Commonwealth bond rates that underlie the insurers claims liability valuations; and
- a remeasurement gain on the State's defined benefit superannuation plans of \$496 million, primarily attributable to the investment return on superannuation assets exceeding that allowed for in the net superannuation interest expense.

Balance sheet

The net asset position as at March 2018 is \$172.1 billion, an increase of \$4.1 billion from 30 June 2017. This increase is largely due to:

- a \$2.1 billion increase in land, buildings, infrastructure, plant and equipment which largely reflects the progressive delivery of the State's infrastructure program less the depreciation charged;
- a \$4.1 billion increase in 'investments in other sector entities' driven by changes in the net asset positions of PNFC and PFC sector entities; offset by
- a \$3.1 billion increase in borrowings during the period to fund infrastructure delivery.

Cash flow statement

Cash flows from operations were \$2.4 billion to March 2018 against a revised budget estimate of \$4.1 billion. These results are consistent with the combined impact of the previously mentioned drivers associated with the operating statement and balance sheet.

Infrastructure investment

For the year to 31 March 2018, net infrastructure investment totalled \$6.6 billion, mainly reflecting investment in the transport, justice, education and health sectors.

The Government's infrastructure scorecard as at 31 March 2018

Major projects under procurement or in progress include:

- Ballarat Line Upgrade;
- Bendigo Hospital – Stage 2;
- Casey Hospital Expansion;
- CityLink–Tulla widening;
- Chandler Highway upgrade;
- Drysdale Bypass and High Street upgrades;
- Echuca-Moama Bridge;
- Frankston line stabling;
- Goulburn-Murray Water Connections Project (Northern Victoria Irrigation Renewal Project);
- Goulburn Valley Health redevelopment;
- Hurstbridge rail line upgrade;
- Joan Kirner Women's and Children's Hospital;
- Level Crossing Removal Program;
- M80 Ring Road upgrade:
 - Sunshine Avenue to Calder Freeway;
 - Princes Freeway to Western Highway;
 - Sydney Road to Edgars Road;
 - Plenty Road to Greensborough Highway,
- Melbourne Convention and Exhibition Centre – Stage 2 development;
- Melbourne Park Redevelopment – stages 2 and 3;
- City Loop fire and safety upgrade;
- Mernda Rail Extension Project;
- Metro Tunnel;
- Monash Children's Hospital;
- Mordialloc Freeway;
- Murray Basin Rail Project;
- New trains, trams and associated infrastructure for Melbourne commuters;
- New youth justice facility;
- Northern Hospital inpatient expansion – Stage 2;
- Princes Highway duplication project – Winchelsea to Colac;

The Government's infrastructure scorecard as at 31 March 2018 (*continued*)

- Regional Rail Revival;
- Royal Victorian Eye and Ear Hospital redevelopment;
- Thompsons Road duplication;
- Victorian Heart Hospital;
- West Gate Tunnel Project;
- Western Highway duplication;
- Western Roads Upgrade; and
- Yan Yean Road duplication.

B.1 CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the period ended 31 March

(\$ million)

2016-17		2017-18			Budget to		
actual		actual	revised	published	revised budget	Change	
to Mar	Notes	to Mar	budget	budget	change	%	
Revenue from transactions							
17 542	Taxation revenue	B.6.1	17 688	22 446	21 827	619	3
605	Interest revenue		617	901	899	3	..
494	Dividends, income tax equivalent and rate equivalent revenue	B.6.2	518	737	1 171	(435)	(37)
5 153	Sales of goods and services	B.6.3	5 438	7 087	7 187	(100)	(1)
20 874	Grant revenue	B.6.4	22 390	30 342	29 818	524	2
1 858	Other revenue	B.6.5	1 736	2 492	2 502	(10)	..
46 527	Total revenue from transactions		48 387	64 005	63 405	600	1
Expenses from transactions							
15 684	Employee expenses		16 995	22 989	23 011	(22)	..
519	Net superannuation interest expense	B.7.3	536	714	761	(47)	(6)
1 728	Other superannuation	B.7.3	1 886	2 536	2 347	189	8
1 894	Depreciation	B.8.2	1 978	2 764	2 788	(25)	(1)
1 511	Interest expense		1 522	2 102	2 181	(79)	(4)
7 930	Grant expense		8 410	10 506	11 333	(827)	(7)
13 301	Other operating expenses		14 053	20 352	19 830	522	3
42 567	Total expenses from transactions	B.7.4	45 380	61 963	62 252	(289)	..
3 960	Net result from transactions – net operating balance		3 007	2 042	1 153	889	77
Other economic flows included in net result							
33	Net gain/(loss) on disposal of non-financial assets		84	100	82	17	21
35	Net gain/(loss) on financial assets or liabilities at fair value		34	27	22	5	23
(3)	Share of net profit/(loss) from associates/joint venture entities		(4)	..	..	..	..
(267)	Other gains/(losses) from other economic flows	B.11.1	(219)	(820)	(370)	(451)	122
(202)	Total other economic flows included in net result		(104)	(694)	(266)	(428)	161
3 758	Net result		2 903	1 349	887	461	52
Other economic flows – other comprehensive income							
Items that will not be reclassified to net result							
(64)	Changes in non-financial assets revaluation surplus		64	621	3 660	(3 038)	(83)
3 601	Remeasurement of superannuation defined benefits plans	B.7.3	496	733	915	(182)	(20)
83	Other movements in equity		(105)	(31)	7	(39)	(537)

B.1 CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT (continued)

For the period ended 31 March

(\$ million)

2016-17 actual to Mar	Notes	2017-18			Budget to revised budget change	Change %
		actual to Mar	revised budget	published budget		
Items that may be reclassified subsequently to net result						
60		9	1	1	..	..
644		686	921	(966)	1 887	(195)
4 324	Total other economic flows – other comprehensive income	1 150	2 245	3 617	(1 372)	(38)
8 082	Comprehensive result – total change in net worth	4 053	3 594	4 504	(911)	(20)
3 960	Net operating balance	3 007	2 042	1 153	889	77
1 126	Less: Net acquisition of non-financial assets from transactions	B.7.5 1 985	2 148	1 813	335	18
2 833	Net lending/(borrowing)	1 021	(106)	(660)	554	(84)

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

B.2 CONSOLIDATED BALANCE SHEET

As at 31 March

(\$ million)

2016-17		2017-18					Opening to	Opening to
actual		opening	actual	revised	published	revised	published	
31 Mar	Notes	1 Jul	31 Mar	budget	budget ^(a)	budget	budget	
						change	change	
Assets								
Financial assets								
3 900	Cash and deposits	B.11.2	5 530	3 900	4 565	5 938	408	
13 648	Advances paid		12 939	11 095	9 871	10 230	(2 709)	
7 108	Receivables	B.9.1	5 931	7 756	5 484	6 026	95	
5 720	Investments, loans and placements		3 673	4 163	3 858	2 889	(784)	
44	Investments accounted for using the equity method		47	44	47	47	..	
89 043	Investments in other sector entities		92 509	96 575	96 747	96 203	3 694	
119 462	Total financial assets		120 630	123 533	120 572	121 333	704	
Non-financial assets								
187	Inventories		173	176	175	175	2	
182	Non-financial assets held for sale		405	355	295	402	(3)	
115 219	Land, buildings, infrastructure, plant and equipment	B.8.1	121 776	123 897	124 602	127 449	5 673	
1 456	Other non-financial assets ^(b)	B.8.7	1 494	1 756	1 650	1 495	1	
117 044	Total non-financial assets^(b)		123 849	126 184	126 722	129 521	5 672	
236 506	Total assets^(b)		244 478	249 718	247 295	250 854	6 376	
Liabilities								
9 913	Deposits held and advances received		9 088	7 781	6 279	6 439	(2 648)	
5 227	Payables	B.9.2	5 815	5 902	5 782	5 841	26	
28 684	Borrowings		28 816	31 902	31 640	34 052	5 236	
6 050	Employee benefits	B.7.2	6 506	6 458	6 788	6 747	241	
25 944	Superannuation	B.7.3	24 900	24 714	24 235	23 987	(913)	
858	Other provisions		1 326	880	949	1 256	(69)	
76 676	Total liabilities		76 451	77 637	75 674	78 323	1 872	
159 831	Net assets^(b)		168 027	172 080	171 621	172 532	4 505	
51 977	Accumulated surplus/(deficit) ^(b)		51 464	54 751	53 509	53 275	1 810	
107 853	Reserves		116 563	117 329	118 112	119 257	2 694	
159 831	Net worth^(b)		168 027	172 080	171 621	172 532	4 505	
FISCAL AGGREGATES								
42 787	Net financial worth		44 178	45 896	44 898	43 011	(1 168)	
46 256	Net financial liabilities		48 331	50 679	51 848	53 193	4 862	
15 330	Net debt		15 762	20 524	19 625	21 435	5 673	

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

(a) Balances represent actual opening balances at 1 July 2017 plus 2017-18 budgeted movements.

(b) As reflected in the 2016-17 Financial Report for the State of Victoria, March 2017 comparative figures have been restated to reflect a subsequent adjustment to the Department of Environment, Land, Water and Planning's intangible produced assets and opening accumulated surplus/(deficit) balances due to the first-time recognition of Renewable Energy Certificates in 2016-17.

B.3 CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 March

(\$ million)

2016-17		2017-18			Budget to	Change %
actual to Mar	Notes	actual to Mar	revised budget	published budget	revised budget change	
Cash flows from operating activities						
Receipts						
16 004	Taxes received	16 316	22 214	21 688	526	2
20 872	Grants	22 386	30 420	29 817	603	2
5 811	Sales of goods and services ^(a)	6 014	7 822	8 076	(254)	(3)
605	Interest received	619	902	898	4	..
580	Dividends, income tax equivalent and rate equivalent receipts	562	739	1 174	(435)	(37)
1 192	Other receipts	1 149	2 060	2 001	58	3
45 064	Total receipts	47 046	64 157	63 655	502	1
Payments						
(15 677)	Payments for employees	(17 024)	(22 709)	(22 773)	63	..
(1 993)	Superannuation	(2 113)	(3 182)	(3 107)	(75)	2
(1 521)	Interest paid	(1 519)	(2 065)	(2 144)	79	(4)
(8 099)	Grants and subsidies	(8 921)	(10 690)	(11 294)	604	(5)
(13 586)	Goods and services ^(a)	(14 528)	(20 692)	(20 005)	(687)	3
(540)	Other payments	(558)	(732)	(732)	..	..
(41 417)	Total payments	(44 662)	(60 070)	(60 054)	(16)	..
3 647	Net cash flows from operating activities	2 384	4 087	3 601	486	13
Cash flows from investing activities						
(5 083)	Purchases of non-financial assets	B.7.5 (6 518)	(9 555)	(8 780)	(775)	9
114	Sales of non-financial assets	217	463	503	(40)	(8)
(4 969)	Net cash flows from investments in non-financial assets	(6 302)	(9 093)	(8 277)	(815)	10
(365)	Net cash flows from investments in financial assets for policy purposes ^(b)	1 543	4 816	2 348	2 468	105
(5 335)	Sub-total	(4 759)	(4 277)	(5 930)	1 653	(28)
(2 780)	Net cash flows from investments in financial assets for liquidity management purposes	(460)	(166)	801	(967)	(121)
(8 114)	Net cash flows from investing activities	(5 218)	(4 443)	(5 129)	686	(13)
Cash flows from financing activities						
9 096	Advances received (net)	(1 585)	(2 808)	(2 649)	(160)	6
(5 612)	Net borrowings	2 512	2 199	4 584	(2 384)	(52)
111	Deposits received (net)	278	..	..	..	(301)
3 595	Net cash flows from financing activities	1 205	(609)	1 935	(2 544)	(131)
(872)	Net increase/(decrease) in cash and cash equivalents	(1 629)	(965)	408	(1 373)	(337)
4 772	Cash and cash equivalents at beginning of reporting period	5 530	5 530	5 530	..	..
3 900	Cash and cash equivalents at end of the reporting period ^(c)	B.11.2 3 900	4 565	5 937	(1 373)	(23)

B.3 CONSOLIDATED CASH FLOW STATEMENT *(continued)*

For the period ended 31 March

(\$ million)

2016-17		2017-18			Budget to	
<i>actual</i>		<i>actual</i>	<i>revised</i>	<i>published</i>	<i>revised</i>	<i>Change</i>
<i>to Mar</i>	<i>Notes</i>	<i>to Mar</i>	<i>budget</i>	<i>budget</i>	<i>budget</i>	<i>%</i>
					<i>change</i>	
FISCAL AGGREGATES						
3 647	Net cash flows from operating activities	2 384	4 087	3 601	486	13
(4 969)	Net cash flows from investments in non-financial assets	(6 302)	(9 093)	(8 277)	(815)	10
(1 323)	Cash surplus/(deficit)	(3 917)	(5 005)	(4 676)	(329)	7

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

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

(b) Includes net advances to public non-financial corporations for policy purposes of \$1 859 million for the nine months ended 31 March 2018 and \$3 052 million for 2017-18 revised budget.

B.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
2016-17 (actual)		
Balance at 1 July 2016 ^(a)	44 557	50
Net result for the year	3 758	..
Other comprehensive income for the year	3 662	..
Transactions with owners in their capacity as owners	..	(50)
Total equity as at 31 March 2017 ^(a)	51 977	..
2017-18 (actual)		
Balance at 1 July 2017	51 464	..
Net result for the year	2 903	..
Other comprehensive income for the year	384	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 31 March 2018	54 751	..
2017-18 (revised)		
Balance at 1 July 2017	51 464	..
Net result for the year	1 349	..
Other comprehensive income for the year	696	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2018	53 509	..
2017-18 (budget)		
Balance at 1 July 2017	51 464	..
Net result for the year	887	..
Other comprehensive income for the year	923	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2018	53 275	..

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

(a) As reflected in the 2016-17 Financial Report for the State of Victoria, the 1 July 2016 and 31 March 2017 comparative figures have been restated to reflect an adjustment to the Department of Environment, Land, Water and Planning's accumulated surplus/(deficit) balances due to the first-time recognition of Renewable Energy Certificates.

<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
49 613	57 027	551	151 798
..	..	..	3 758
(64)	644	82	4 324
..	..	..	(50)
49 549	57 671	633	159 831
55 745	60 149	669	168 027
..	..	..	2 903
64	686	16	1 150
..
55 809	60 835	685	172 080
55 745	60 149	669	168 027
..	..	..	1 349
621	921	7	2 245
..
56 366	61 070	676	171 621
55 745	60 149	669	168 027
..	..	..	887
3 660	(966)	1	3 617
..
59 405	59 183	669	172 532

B.5 ABOUT THIS REPORT

Basis of preparation

This March Quarterly Financial Report presents the unaudited consolidated financial statements for the general government sector for the nine months ended 31 March 2018.

The accounting policies applied are consistent with those applied for the financial statements published in the *2016-17 Financial Report* for the State of Victoria. This quarterly financial report does not include all the notes normally included with the annual financial report. It should be read in conjunction with the *2016-17 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 also presented consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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 March 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 1.7.6 of Chapter 1 for this budget. In the process of reporting the general government sector as a single economic entity, all material transactions and balances within the sector are eliminated.

B.6 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.

B.6.1 Taxation revenue

		(\$ million)	
2016-17 actual to Mar		2017-18 actual to Mar	revised budget
4 224	Taxes on employers' payroll and labour force	4 437	5 951
	Taxes on immovable property		
2 427	Land tax	2 294	2 514
669	Fire Services Property Levy	682	682
105	Congestion levy	102	115
165	Metropolitan improvement levy	174	176
	Financial and capital transactions		
4 537	Land transfer duty	5 181	6 808
21	Metropolitan planning levy	17	26
101	Financial accommodation levy	112	149
136	Growth Areas Infrastructure Contribution	186	208
8 161	Total taxes on property	8 750	10 677
	Gambling taxes		
300	Public lotteries	316	415
811	Electronic gaming machines	832	1 099
162	Casino	155	227
57	Racing	54	71
21	Other	21	29
82	Levies on statutory corporations	82	112
923	Taxes on insurance	986	1 265
2 355	Total taxes on the provision of goods and services	2 447	3 218
	Motor vehicle taxes		
1 149	Vehicle registration fees	1 159	1 411
607	Duty on vehicle registrations and transfers	683	916
22	Liquor licence fees	23	23
1 024	Other	190	249
2 802	Total taxes on the use of goods and performance of activities	2 055	2 600
17 542	Total taxation revenue	17 688	22 446

Source: Department of Treasury and Finance

B.6.2 Dividends, income tax equivalent and rate equivalent revenue

(\$ million)

2016-17 actual to Mar		2017-18 actual to Mar		revised budget
159	Dividends from PFC sector	94		94
122	Dividends from PNFC sector	229		331
29	Dividends from non-public sector	27		30
310	Dividends	350		455
2	Income tax equivalent revenue from PFC sector	2		7
178	Income tax equivalent revenue from PNFC sector	161		269
180	Income tax equivalent revenue	163		275
4	Local government rate equivalent revenue	5		6
494	Total dividends, income tax equivalent and rate equivalent revenue	518		737

Source: Department of Treasury and Finance

Dividends by entity ^(a)

(\$ million)

2016-17 actual to Mar		2017-18 actual to Mar		revised budget
154	Victorian Managed Insurance Authority	..		..
..	Treasury Corporation of Victoria	83		83
2	State Trustees Ltd	5		5
4	Victorian Funds Management Corporation	7		7
..	WorkSafe Victoria	..		..
159	Dividends from PFC sector	94		94
28	Melbourne Water Corporation	51		77
13	City West Water Corporation	48		63
47	South East Water Corporation	82		107
23	Yarra Valley Water Corporation	31		42
9	Development Victoria	15		40
2	Others	1		3
122	Dividends from PNFC sector	229		331

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).

B.6.3 Sales of goods and services

(\$ million)

2016-17		2017-18	
actual		actual	revised
to Mar		to Mar	budget
177	Motor vehicle regulatory fees	167	216
449	Other regulatory fees	445	538
66	Sale of goods	63	80
3 008	Provision of services	3 170	4 123
55	Rental	57	75
11	Refunds and reimbursements	4	11
1 387	Inter-sector capital asset charge	1 533	2 044
5 153	Total sales of goods and services	5 438	7 087

Source: Department of Treasury and Finance

B.6.4 Grant revenue

(\$ million)

2016-17		2017-18	
actual		actual	revised
to Mar		to Mar	budget
10 318	General purpose grants	11 513	15 407
3 404	Specific purpose grants for on-passing	3 436	3 510
7 072	Other specific purpose grants	7 230	10 835
20 794	Total	22 179	29 752
80	Other contributions and grants	211	590
20 874	Total grant revenue	22 390	30 342

Source: Department of Treasury and Finance

B.6.5 Other revenue

(\$ million)

2016-17		2017-18	
actual		actual	revised
to Mar		to Mar	budget
196	Fair value of assets received free of charge or for nominal consideration	34	108
583	Fines	558	733
59	Royalties	75	101
187	Donations and gifts	182	288
19	Other non-property rental	20	27
404	Other revenue – Education	448	632
33	Other revenue – Health	38	46
377	Other miscellaneous revenue	381	557
1 858	Total other revenue	1 736	2 492

Source: Department of Treasury and Finance

B.7 HOW FUNDS ARE SPENT

Introduction

This section details the major components of expenditure incurred by the general government sector on operating activities (expenses from transactions) and on capital or infrastructure projects during the period, as well as any related obligations outstanding as at 31 March 2018.

B.7.1 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. Increases in employee expenses are mainly attributable to increased service delivery in the health, education, and community safety sectors, as well as salary growth in line with wages policy.

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 31 March 2018.

B.7.2 Employee benefits (balance sheet)

(\$ million)

2016-17		2017-18		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
Current				
276	Accrued salaries and wages	503	373	509
59	Other employee benefits	66	77	64
1 361	Annual leave	1 499	1 438	1 536
3 555	Long service leave	3 646	3 769	3 780
5 251	Total current employee benefits and on-costs	5 715	5 658	5 889
Non-current				
799	Long service leave	791	800	899
799	Total non-current employee benefits and on-costs	791	800	899
6 050	Total employee benefits and on-costs	6 506	6 458	6 788

Source: Department of Treasury and Finance

B.7.3 Superannuation (gain)/expense recognised in the operating statement

		(\$ million)	
2016-17 actual to Mar		2017-18	
		actual to Mar	revised budget
	Defined benefit plans		
519	Net superannuation interest expense	536	714
634	Current service cost	692	924
	Remeasurements:		
(755)	Expected return on superannuation assets excluding interest income	(713)	(950)
(475)	Other actuarial (gain)/loss on superannuation assets	120	120
(2 371)	Actuarial and other adjustments to unfunded superannuation liability	97	97
(2 448)	Total (gain)/expenses recognised in respect of defined benefit plans	732	905
	Defined contribution plans		
1 036	Employer contributions to defined contribution plans	1 138	1 542
58	Other (including pensions)	56	69
1 095	Total expense recognised in respect of defined contribution plans	1 194	1 612
(1 354)	Total superannuation (gain)/expense recognised in operating statement	1 926	2 517
	Represented by:		
519	Net superannuation interest expense	536	714
1 728	Other superannuation	1 886	2 536
2 248	Superannuation expense from transactions	2 422	3 250
(3 601)	Remeasurement recognised in other comprehensive income	(496)	(733)
(1 354)	Total superannuation (gain)/ expense recognised in operating statement	1 926	2 517

Source: Department of Treasury and Finance

B.7.4 Total operating expenses by government purpose and by department

(a) Total expenses by government purpose classification ^(a)

		(\$ million)	
2016-17 actual to Mar		2017-18	
		actual to Mar	revised budget
2 005	General public services	1 991	2 616
4 907	Public order and safety	5 485	7 486
11 277	Education	11 902	15 133
11 969	Health	13 280	18 349
3 192	Social security and welfare	3 110	4 806
2 070	Housing and community amenities	1 990	3 160
557	Recreation and culture	620	805
120	Fuel and energy	162	229
261	Agriculture, forestry, fishing, and hunting	264	419
4 837	Transport and communications	5 549	7 751
897	Other economic affairs	704	1 121
865	Other purposes	812	1 142
(389)	Not allocated by purpose	(488)	(1 053)
42 567	Total expenses from transactions	45 380	61 963

Source: Department of Treasury and Finance

Note:

(a) Note 3.6 of the 2016-17 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

(b) Total expenses by department

		(\$ million)	
2016-17 actual to Mar		2017-18	
		actual to Mar	revised budget
6 471	Economic Development, Jobs, Transport and Resources	7 084	9 934
12 618	Education and Training	13 351	17 114
2 100	Environment, Land, Water and Planning	2 075	2 986
16 601	Health and Human Services	17 863	25 147
4 637	Justice and Regulation	5 106	6 982
350	Premier and Cabinet	402	584
5 843	Treasury and Finance	5 912	7 171
135	Parliament	139	219
392	Courts	426	601
1 637	Regulatory bodies and other part-funded agencies ^(a)	1 717	2 364
50 784	Total expenses by department	54 075	73 102
(8 216)	Less eliminations and adjustments ^(b)	(8 695)	(11 139)
42 567	Total expenses from transactions	45 380	61 963

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) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers.

B.7.5 Net acquisition of non-financial assets from transactions

(\$ million)

<i>2016-17</i>		<i>2017-18</i>	
<i>actual</i>		<i>actual</i>	<i>revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>budget</i>
5 083	Purchases of non-financial assets (including change in inventories)	6 518	9 555
(114)	Less: Sales of non-financial assets	(217)	(463)
(1 894)	Less: Depreciation	(1 978)	(2 764)
(1 948)	Plus: Other movements in non-financial assets	(2 338)	(4 181)
1 126	Total net acquisition of non-financial assets from transactions	1 985	2 148

Source: Department of Treasury and Finance

B.8 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.

B.8.1 Total land, buildings, infrastructure, plant and equipment

(\$ million)

2016-17		2017-18		
<i>actual</i>		<i>opening</i>	<i>actual</i>	<i>revised</i>
<i>31 Mar</i>		<i>1 Jul</i>	<i>31 Mar</i>	<i>budget</i>
27 790	Buildings	28 039	28 598	28 923
44 816	Land and national parks	50 554	50 744	51 027
4 696	Leased buildings	4 711	5 472	5 499
1 321	Infrastructure systems	1 343	1 386	1 387
2 267	Plant, equipment and vehicles	2 362	2 353	2 475
179	Leased plant, equipment and vehicles	184	178	161
20 173	Roads and road infrastructure	20 440	21 027	20 903
568	Leased roads and road infrastructure	565	558	556
7 913	Earthworks	7 961	7 961	8 054
5 496	Cultural assets	5 617	5 617	5 616
115 219	Total land, buildings, infrastructure, plant and equipment	121 776	123 897	124 602

Source: Department of Treasury and Finance

B.8.2 Depreciation

(\$ million)

2016-17		2017-18	
<i>actual</i>		<i>actual</i>	<i>revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>budget</i>
829	Buildings	846	1 151
102	Leased buildings	117	188
30	Infrastructure systems	30	33
364	Plant, equipment and vehicles	391	580
23	Leased plant, equipment and vehicles	22	19
454	Roads and road infrastructure	457	613
7	Leased roads and road infrastructure	7	9
10	Cultural assets	15	20
75	Intangible produced assets ^(a)	94	151
1 894	Total depreciation	1 978	2 764

Source: Department of Treasury and Finance

Note:

(a) Amortisation of intangible non-produced assets is included under other economic flows included in the net result.

B.8.3 Land and buildings

(\$ million)

2016-17		2017-18		
<i>actual</i>		<i>opening</i>	<i>actual</i>	<i>revised</i>
<i>31 Mar</i>		<i>1 Jul</i>	<i>31 Mar</i>	<i>budget</i>
30 412	Buildings	30 762	32 109	32 827
(2 622)	Accumulated depreciation	(2 723)	(3 511)	(3 904)
27 790	Buildings (net carrying amount)	28 039	28 598	28 923
5 251	Leased buildings	5 319	6 201	6 296
(555)	Leased buildings accumulated depreciation	(609)	(729)	(797)
4 696	Leased buildings (net carrying amount)	4 711	5 472	5 499
43 780	Land	49 504	49 691	49 987
1 036	National parks and other 'land only' holdings	1 050	1 053	1 040
44 816	Land and national parks	50 554	50 744	51 027
77 303	Total land and buildings	83 303	84 815	85 449

Source: Department of Treasury and Finance

B.8.4 Plant, equipment and vehicles and infrastructure systems

(\$ million)

2016-17		2017-18		
<i>actual</i>		<i>opening</i>	<i>actual</i>	<i>revised</i>
<i>31 Mar</i>		<i>1 Jul</i>	<i>31 Mar</i>	<i>budget</i>
1 790	Infrastructure systems	1 834	1 908	1 912
(469)	Accumulated depreciation	(492)	(522)	(525)
1 321	Infrastructure systems (net carrying amount)	1 343	1 386	1 387
5 991	Plant, equipment and vehicles	6 126	6 279	6 714
(3 724)	Accumulated depreciation	(3 764)	(3 925)	(4 239)
435	Leased plant, equipment and vehicles	441	450	435
(257)	Accumulated depreciation	(257)	(272)	(275)
2 446	Plant, equipment and vehicles (net carrying amount)	2 546	2 532	2 636
3 767	Total plant, equipment, vehicles, and infrastructure systems	3 889	3 918	4 023

Source: Department of Treasury and Finance

B.8.5 Road networks and earthworks

(\$ million)

2016-17		2017-18		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
39 300	Roads and roads infrastructure	39 781	40 825	42 182
(19 127)	Accumulated depreciation	(19 341)	(19 798)	(21 278)
20 173	Roads and roads infrastructure (net carrying amount)	20 440	21 027	20 903
584	Leased road and road infrastructure	584	584	584
(17)	Accumulated depreciation	(19)	(26)	(28)
568	Leased road and road infrastructure (net carrying amount)	565	558	556
7 913	Earthworks	7 961	7 961	8 054
28 653	Total road, road infrastructure and earthworks	28 967	29 547	29 513

Source: Department of Treasury and Finance

B.8.6 Cultural assets

(\$ million)

2016-17		2017-18		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
5 712	Cultural assets	5 770	5 785	5 790
(216)	Accumulated depreciation	(154)	(168)	(174)
5 496	Total cultural assets	5 617	5 617	5 616

Source: Department of Treasury and Finance

B.8.7 Other non-financial assets

(\$ million)

2016-17		2017-18		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
1 584	Intangible produced assets ^(a)	1 685	1 792	1 789
(840)	Accumulated depreciation	(872)	(965)	(1 002)
137	Intangible non-produced assets	117	118	118
(46)	Accumulated amortisation	(32)	(37)	(35)
835	Total intangibles ^(a)	898	908	870
148	Investment properties	179	166	164
2	Biological assets ^(b)	3	3	4
471	Other assets	414	679	612
1 456	Total other non-financial assets ^(a)	1 494	1 756	1 650

Source: Department of Treasury and Finance

Notes:

(a) As reflected in the 2016-17 Financial Report for the State of Victoria, March 2017 comparative figures have been restated to reflect a subsequent adjustment to the Department of Environment, Land, Water and Planning's intangible produced assets due to the first-time recognition of Renewable Energy Certificates in 2016-17.

(b) The majority of biological assets comprises commercial forests and also includes any living animal, plant or agricultural produce, which is the harvested produce of biological assets.

B.9 OTHER ASSETS AND LIABILITIES

Introduction

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

B.9.1 Receivables

		(\$ million)		
2016-17 actual 31 Mar		2017-18		
		opening 1 Jul	actual 31 Mar	revised budget
Contractual				
848	Sales of goods and services	598	897	599
17	Accrued investment income	19	17	18
1 095	Other receivables	1 169	1 326	562
(99)	Provision for doubtful contractual receivables	(97)	(97)	(96)
Statutory				
4	Sales of goods and services	1	2	1
3 833	Taxes receivables	2 676	3 893	2 752
2 075	Fines and regulatory fees	2 052	2 206	2 098
246	GST input tax credits recoverable	352	318	349
(911)	Provision for doubtful statutory receivables	(838)	(806)	(799)
7 108	Total receivables	5 931	7 756	5 484
Represented by:				
6 381	Current receivables	5 103	6 936	5 163
727	Non-current receivables	828	820	321

Source: Department of Treasury and Finance

B.9.2 Payables

		(\$ million)		
2016-17 actual 31 Mar		2017-18		
		opening 1 Jul	actual 31 Mar	revised budget
Contractual				
1 115	Accounts payable	1 402	1 160	1 518
1 721	Accrued expenses	2 239	2 353	2 173
2 351	Unearned income	2 130	2 339	2 047
Statutory				
39	Accrued taxes payable	44	50	44
5 227	Total payables	5 815	5 902	5 782
Represented by:				
3 537	Current payables	4 134	4 301	4 087
1 690	Non-current payables	1 681	1 601	1 695

Source: Department of Treasury and Finance

B.10 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*.

B.10.1 Consolidated fund receipts and payments

		(\$ million)	
2016-17 actual to Mar		2017-18 actual to Mar	revised budget
Receipts			
15 394	Taxation	16 515	22 541
620	Fines and regulatory fees	559	860
12 826	Grants received	14 022	20 156
4 672	Sales of goods and services ^(a)	5 106	6 655
373	Interest received	339	500
551	Dividends, income tax equivalent and rate equivalent receipts	547	709
142	Other receipts ^(a)	112	450
34 577	Total operating activities	37 200	51 871
9 923	Total inflows from investing and financing	2 718	6 779
44 500	Total receipts	39 917	58 650
Payments to departments			
7 023	Economic Development, Jobs, Transport and Resources	7 422	11 079
8 944	Education and Training	10 080	13 315
1 492	Environment, Land, Water and Planning	1 558	2 294
11 899	Health and Human Services	12 360	16 450
4 581	Justice and Regulation	5 501	7 450
331	Premier and Cabinet	380	559
10 283	Treasury and Finance	4 837	7 330
139	Parliament	166	240
373	Courts	429	588
45 065	Total payments	42 733	59 305
(565)	Net receipts/(payments)	(2 815)	(656)

Source: Department of Treasury and Finance

Note:

(a) The 2016-17 comparative figures have been restated to reflect more current information.

B.10.2 Trust fund cash flow statement

(\$ million)

2016-17 actual to Mar		2017-18 actual to Mar	revised budget
	Cash flows from operating activities		
	Receipts		
1 103	Taxation	336	386
49	Regulatory fees and fines	60	60
11 543	Grants received	12 475	15 369
96	Sale of goods and services	45	100
123	Interest received	157	247
21	Dividends received ^(a)	16	19
2 199	Net transfers from consolidated fund	2 522	3 078
90	Other receipts ^(a)	122	137
15 225	Total receipts	15 733	19 395
	Payments		
(132)	Employee benefits	(167)	(239)
(11)	Superannuation	(14)	(16)
(12 630)	Grants paid	(14 388)	(18 087)
(895)	Supplies and consumables	(1 260)	(1 605)
(3)	Interest paid	(3)	(5)
(13 671)	Total payments	(15 831)	(19 953)
1 554	Net cash flows from operating activities	(98)	(558)
	Cash flows from investing activities		
(61)	Purchase of non-financial assets	(1)	(4)
41	Sales of non-financial assets	37	42
(9 019)	Net proceeds from customer loans	1 851	3 052
7 972	Other investing activities	(1 638)	(2 892)
(1 068)	Net cash flows from investing activities	250	199
	Cash flows from financing activities		
9	Net proceeds (repayments) from borrowings	(451)	(25)
9	Net cash flows from financing activities	(451)	(25)
494	Net cash inflow/(outflow)	(299)	(384)

Source: Department of Treasury and Finance

Note:

(a) The 2016-17 comparative figures have been restated to reflect more current information.

B.10.3 Reconciliation of cash flows to balances held

(\$ million)

	Balances held at 30 Jun 2017	Mar movement YTD	Balances held at 31 Mar 2018
Cash and deposits			
Cash balances outside the Public Account	..	4	3
Deposits held with the Public Account – specific trusts	561	46	607
Other balances held in the Public Account	3 328	(3 540)	(212)
Total cash and deposits	3 888	(3 490)	398
Investments			
Investments held with the Public Account – specific trusts	1 285	(126)	1 159
Total investments	1 285	(126)	1 159
Total fund balances	5 173	(3 616)	1 557
Less funds held outside the Public Account			
Cash	..	4	3
Total fund balances held outside the Public Account	..	3	3
Total funds held in the Public Account	5 174	(3 620)	1 554

Source: Department of Treasury and Finance

B.10.4 Details of securities held

(\$ million)

2016-17 actual to Mar		2017-18 opening 1 Jul	actual 31 Mar
4 800	Total Public Account	5 174	1 554
	Represented by:		
3 938	Stock, securities, cash and investments	3 850	913
	Add cash advanced for:		
862	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	874	641
..	Temporary Advance to the Consolidated Fund pursuant to Section 38 of the <i>Financial Management Act, No. 18 of 1994</i>	450	..
4 800	Total Public Account	5 174	1 554

Source: Department of Treasury and Finance

B.11 OTHER DISCLOSURES

Introduction

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

B.11.1 Other gains/(losses) from other economic flows

		(\$ million)	
2016-17 actual to Mar		2017-18	
		actual to Mar	revised budget
(235)	Net (increase)/decrease in provision for doubtful receivables	(142)	(206)
(3)	Amortisation of intangible non-produced assets	(4)	(4)
(96)	Bad debts written off	(89)	(118)
66	Other gains/(losses)	16	(492)
(267)	Total other gains/(losses) from other economic flows	(219)	(820)

Source: Department of Treasury and Finance

B.11.2 Reconciliation of cash and cash equivalents

		(\$ million)	
2016-17 actual to 31 Mar		2017-18	
		actual to 31 Mar	revised budget
1 313	Cash	1 341	1 455
2 587	Deposits at call	2 560	3 110
3 900	Cash and cash equivalents	3 900	4 565
..	Bank overdraft	..	..
3 900	Balances as per cash flow statement	3 900	4 565

Source: Department of Treasury and Finance

B.11.3 Controlled entities

Note 9.8 *Controlled entities* in the 2016-17 *Financial Report* for the State of Victoria contains a list of the significant controlled entities, which have been consolidated in this financial report.

Reference should be made to Note 1.7.6 of Chapter 1 of this budget paper for changes to general government sector entities since 1 July 2017.

B.11.4 Glossary of technical terms

The 2016-17 *Financial Report* for the State of Victoria (Note 9.9) summarises the major technical terms used in this report.

B.12 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*.

B.12.1 Consolidated comprehensive operating statement for the past five quarters

	2016-17		2017-18		
	Mar	Jun	Sep	Dec	Mar
	(\$ million)				
Revenue from transactions					
Taxation revenue	6 880	4 730	5 722	4 986	6 980
Interest revenue	230	258	210	206	202
Dividends, income tax equivalent and rate equivalent revenue	57	164	57	376	85
Sales of goods and services	1 736	1 786	1 766	1 871	1 801
Grant revenue	7 556	6 667	6 899	7 328	8 162
Other revenue	570	786	544	626	566
Total revenue from transactions	17 029	14 391	15 198	15 393	17 796
Expenses from transactions					
Employee expenses	5 249	5 812	5 581	5 715	5 698
Net superannuation interest expense	171	172	192	168	176
Other superannuation	581	603	598	657	631
Depreciation	639	722	655	657	666
Interest expense	498	517	454	555	513
Grant expense	3 006	2 541	2 559	2 505	3 346
Other operating expenses	4 313	5 274	4 604	4 741	4 709
Total expenses from transactions	14 456	15 643	14 643	14 998	15 739
Net result from transactions – net operating balance	2 573	(1 251)	555	395	2 057
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	18	18	(1)	22	63
Net gain/(loss) on financial assets or liabilities at fair value	22	(12)	(2)	41	(5)
Share of net profit/(loss) from associates/joint venture entities	..	4	..	..	(4)
Other gains/(losses) from other economic flows	(80)	42	(56)	(86)	(78)
Total other economic flows included in net result	(41)	52	(58)	(23)	(23)
Net result	2 532	(1 199)	497	371	2 035

B.12.1 Consolidated comprehensive operating statement for the past five quarters *(continued)*

(\$ million)

	2016-17		2017-18		
	Mar	Jun	Sep	Dec	Mar
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	25	6 154	(22)	20	66
Remeasurement of superannuation defined benefits plans	617	765	1 259	(500)	(263)
Other movements in equity	..	6	(65)	(43)	2
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	42	(7)	(6)	31	(16)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	..	2 478	..	686	..
Total other economic flows – other comprehensive income	684	9 396	1 165	195	(210)
Comprehensive result – total change in net worth	3 216	8 197	1 662	567	1 825
KEY FISCAL AGGREGATES					
Net operating balance	2 573	(1 251)	555	395	2 057
Less: Net acquisition of non-financial assets from transactions	956	527	283	1 468	235
Net lending/(borrowing)	1 617	(1 778)	272	(1 073)	1 823

Source: Department of Treasury and Finance

B.12.2 Consolidated balance sheet as at the end of the past five quarters (\$ million)

	2016-17		2017-18		
	Mar	Jun	Sep	Dec	Mar
Assets					
Financial assets					
Cash and deposits	3 900	5 530	4 146	3 992	3 900
Advances paid	13 648	12 939	12 179	11 986	11 095
Receivables	7 108	5 931	6 281	5 807	7 756
Investments, loans and placements	5 720	3 673	3 895	4 159	4 163
Investments accounted for using the equity method	44	47	48	47	44
Investments in other sector entities	89 043	92 509	93 484	95 297	96 575
Total financial assets	119 462	120 630	120 033	121 290	123 533
Non-financial assets					
Inventories	187	173	173	176	176
Non-financial assets held for sale	182	405	405	438	355
Land, buildings, infrastructure, plant and equipment	115 219	121 776	122 018	123 323	123 897
Other non-financial assets	1 456	1 494	1 944	1 763	1 756
Total non-financial assets	117 044	123 849	124 539	125 700	126 184
Total assets	236 506	244 478	244 573	246 990	249 718
Liabilities					
Deposits held and advances received	9 913	9 088	8 403	8 252	7 781
Payables	5 227	5 815	5 722	5 542	5 902
Borrowings	28 684	28 816	29 485	30 995	31 902
Employee benefits	6 050	6 506	6 329	6 555	6 458
Superannuation	25 944	24 900	23 903	24 438	24 714
Other provisions	858	1 326	1 043	953	880
Total liabilities	76 676	76 451	74 884	76 734	77 637
Net assets	159 831	168 027	169 689	170 256	172 080
Accumulated surplus/(deficit)	51 977	51 464	53 145	52 965	54 751
Reserves	107 853	116 563	116 544	117 290	117 329
Net worth	159 831	168 027	169 689	170 256	172 080
FISCAL AGGREGATES					
Net financial worth	42 787	44 178	45 150	44 555	45 896
Net financial liabilities	46 256	48 331	48 335	50 742	50 679
Net debt	15 330	15 762	17 667	19 109	20 524

Source: Department of Treasury and Finance

B.12.3 Consolidated cash flow statement for the past five quarters

(\$ million)

	2016-17		2017-18		
	Mar	Jun	Sep	Dec	Mar
Cash flows from operating activities					
Receipts					
Taxes received	5 121	5 782	5 491	5 508	5 317
Grants	7 552	6 670	6 902	7 325	8 160
Sales of goods and services ^(a)	2 031	1 926	1 984	2 092	1 937
Interest received	228	257	210	205	203
Dividends, income tax equivalent and rate equivalent receipts	57	163	57	420	85
Other receipts	360	543	469	440	240
Total receipts	15 348	15 341	15 114	15 990	15 942
Payments					
Payments for employees	(5 391)	(5 288)	(5 748)	(5 480)	(5 796)
Superannuation	(756)	(1 054)	(529)	(790)	(794)
Interest paid	(499)	(477)	(476)	(515)	(529)
Grants and subsidies	(3 013)	(2 103)	(2 947)	(2 508)	(3 466)
Goods and services ^(a)	(4 106)	(4 462)	(5 179)	(4 805)	(4 544)
Other payments	(167)	(80)	(207)	(185)	(165)
Total payments	(13 932)	(13 463)	(15 086)	(14 282)	(15 294)
Net cash flows from operating activities	1 416	1 878	28	1 708	649
Cash flows from investing activities					
Purchases of non-financial assets	(1 963)	(2 195)	(1 881)	(2 689)	(1 949)
Sales of non-financial assets	49	173	45	51	121
Net cash flows from investments in non-financial assets	(1 914)	(2 022)	(1 835)	(2 638)	(1 828)
Net cash flows from investments in financial assets for policy purposes	485	499	672	45	825
Sub-total	(1 429)	(1 523)	(1 163)	(2 593)	(1 003)
Net cash flows from investments in financial assets for liquidity management purposes	(141)	2 029	(232)	(193)	(34)
Net cash flows from investment activities	(1 570)	506	(1 395)	(2 786)	(1 037)
Cash flows from financing activities					
Advances received (net)	(483)	(718)	(707)	(230)	(648)
Net borrowings	214	72	669	1 075	768
Deposits received (net)	3	(108)	22	79	177
Net cash flows from financing activities	(265)	(754)	(16)	924	296
Net increase/(decrease) in cash and cash equivalents	(419)	1 630	(1 384)	(153)	(92)
Cash and cash equivalents at beginning of reporting period	4 319	3 900	5 530	4 146	3 992
Cash and cash equivalents at end of the reporting period	3 900	5 530	4 146	3 992	3 900
FISCAL AGGREGATES					
Net cash flows from operating activities	1 416	1 878	28	1 708	649
Net cash flows from investments in non-financial assets	(1 914)	(2 022)	(1 835)	(2 638)	(1 828)
Cash surplus/(deficit)	(497)	(144)	(1 808)	(930)	(1 180)

Source: Department of Treasury and Finance

Note:

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

APPENDIX C – COMPLIANCE INDEX : REQUIREMENTS OF THE *FINANCIAL MANAGEMENT ACT 1994*

The budget papers comply with the provisions of the *Financial Management Act 1994*. Table C.1 details these requirements together with appropriate references in the document.

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

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
Sections 23E-G of the <i>Financial Management Act 1994</i>	
Statement of financial policy objectives and strategies for the year.	Budget Paper No. 2, Chapter 1 <i>Economic and fiscal overview</i> Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i>
Sections 23H-J of the <i>Financial Management Act 1994</i>	
Estimated financial statements for the year comprising:	Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i>
– an estimated statement of financial performance;	
– an estimated statement of financial position at the end of the year;	
– an estimated statement of cash flows for the year; and	
– a statement of the accounting policies on which these statements are based and explanatory notes.	
Section 23K of the <i>Financial Management Act 1994</i>	
Accompanying statements in association with each set of estimated financial statements comprising:	
– a statement of the material economic and other assumptions that have been used in preparing the estimated financial statements;	Budget Paper No. 2, Chapter 2 <i>Economic context</i> Budget Paper No. 2, Chapter 4 <i>Budget position and outlook</i> Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i>

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

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
<ul style="list-style-type: none"> – a discussion of the sensitivity of the estimated financial statements to changes in those economic and other assumptions; – an overview of the estimated tax expenditures for the financial years covered by the estimated financial statements; and – a statement of risks that may have a material effect on the estimated financial statements. 	<p>Budget Paper No. 2, Appendix A <i>Sensitivity analysis</i></p> <p>Budget Paper No. 5, Chapter 5 <i>Tax expenditures and concessions</i></p> <p>Budget Paper No. 2, Chapter 2 <i>Economic context</i> Budget Paper No. 2, Chapter 4 <i>Budget position and outlook</i> Budget Paper No. 5, Chapter 6 <i>Contingent assets and contingent liabilities</i></p>
<p>Section 26(1) of the <i>Financial Management Act 1994</i> A quarterly financial report for each quarter of each financial year.</p>	<p>Budget Paper No. 5, Appendix B <i>2017-18 Budget outcome incorporating the financial report for the March quarter 2018</i></p>
<p>Section 40 of the <i>Financial Management Act 1994</i> A statement of information under departmental headings setting out:</p>	
<ul style="list-style-type: none"> – a description of the goods and services to be produced or provided by each department during the period to which the statement relates, together with comparative information for the preceding financial year; – a description of the amount available or to be available to each department during the period to which the statement relates, whether appropriated by the Parliament for that purpose or otherwise received or to be received by the department, together with comparative figures for the preceding financial year; and 	<p>Budget Paper No. 3, Chapter 2 <i>Departmental performance statements</i></p> <p>Budget Paper No. 5, Chapter 3 <i>Departmental financial statements</i></p>
<ul style="list-style-type: none"> – the estimated amount of the receipts and receivables of each department during the period to which the statement relates, together with comparative figures for the preceding financial year. 	<p>Budget Paper No. 3, Chapter 2 <i>Departmental performance statements</i></p>
<p>Section 16B of the <i>Audit Act 1994</i> The Auditor-General reviews and reports on the estimated financial statements to ensure they are consistent with accounting convention and that the methodologies and assumptions used are reasonable.</p>	<p>Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i></p>

STYLE CONVENTIONS

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage changes in all tables are based on the underlying unrounded amounts.

The notation used in the tables and charts is as follows:

n.a. or na	not available or not applicable
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
tbc	to be confirmed
ongoing	continuing output, program, project etc.
(x xxx.x)	negative amount
x xxx.0	rounded amount

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

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Statement of Finances
(incorporating Quarterly Financial Report No. 3)
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